Royal Group
TECHNOLOGIES

BUILDING FOR THE FUTURE

Royal's state-of-the-art four million square foot industrial complex – nearing completion

2000 ANNUAL REPORT

COMPANY PROFILE

Royal Group Technologies Limited is a vertically integrated manufacturer of technologically advanced, polymer-based home improvement, consumer and construction products.

- **Royal's operations are located primarily in Canada and the U.S., with international locations in Mexico, Europe, South America and Asia. The operations, which operate as individual profit centers, are arranged into two Segments: The Products Segment and The Support Segment.**

- **The Products Segment is composed of the following product lines:**
  - **i) Home Improvement Products consist of a broad range of extruded PVC products, including window profiles, fencing, decking, siding and residential doors. These products are primarily sold to fabricators and specialty building product distributors that are oriented to the renovation trade.**
  - **ii) Consumer Products consist of a broad range of extruded and injection molded products including window coverings, outdoor storage solutions, indoor storage solutions and patio furniture. These products are primarily sold to home-owners through retail home improvement chain stores.**
  - **iii) Construction Products consist of a component-based building system known as The Royal Building System™ which is used to construct a broad array of residential, commercial, industrial, institutional and agricultural structures, as well as pipe and fitting systems. These products are primarily utilized in construction of new structures and infrastructure for real estate development. Sales occur through a network of contractors and distributors.**

- **The Support Segment provides materials, equipment, tooling, real estate and logistical services to the Products Segment, facilitating superior customer service, rapid product development and a low cost structure. PVC resin and chemical additives are manufactured and utilized to produce compounds used by operations producing finished products. Plastic materials are recycled using proprietary processes. Equipment is designed and manufactured internally, including computerized material handling systems. Transportation, research and development, plant construction and property management services are provided by the Group.**

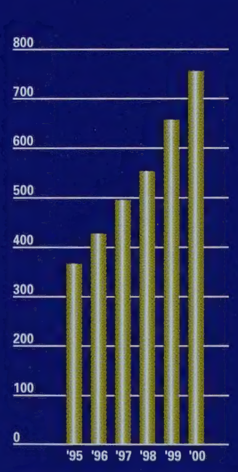
- **Royal Group is a public company with its Subordinate Voting Shares trading on the Toronto Stock Exchange and New York Stock Exchange.**

Royal Group Technologies Limited

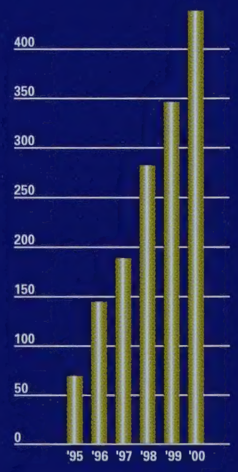
PRODUCTS GROUP | SUPPORT GROUP

CONTENTS

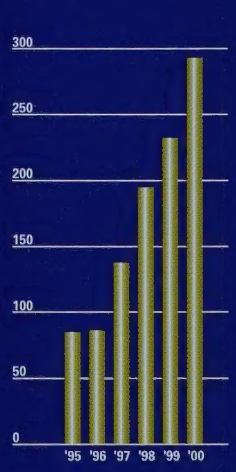
SALES BY PRODUCT LINE



HOME IMPROVEMENT PRODUCTS
(in millions of dollars)



CONSUMER PRODUCTS
(in millions of dollars)



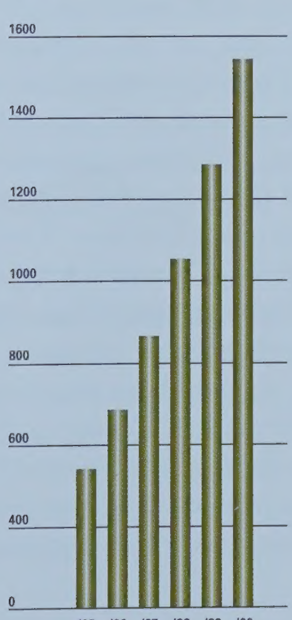
CONSTRUCTION PRODUCTS
(in millions of dollars)

FINANCIAL HIGHLIGHTS

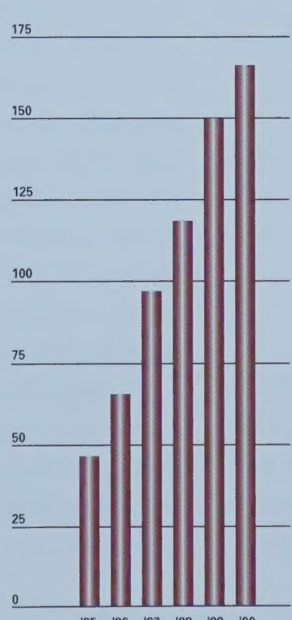
Years ended September 30, 2000, 1999 and 1998
(in $000, except per share amounts)

	2000	1999	1998
CORPORATE OPERATING RESULTS			
Net sales	**$ 1,549,481**	$ 1,282,004	$ 1,050,103
EBITDA	**378,399**	329,102	251,000
Earnings from operations	**248,472**	230,591	183,350 [4]
Net earnings	**169,117**	149,969	118,993 [4]
Cash flow[1]	**280,334**	243,844	186,915
PER SHARE DATA			
Diluted earnings per share	**$ 1.90**	$ 1.72	$ 1.41 [4]
Basic earnings per share	**$ 1.95**	$ 1.75	$ 1.41 [4]
Basic cash flow[1] per share	**$ 3.22**	$ 2.84	$ 2.22
CORPORATE FINANCIAL POSITION			
Working capital	**197,004**	181,218	198,632
Capital spending	**373,699**	270,004	300,607
Shareholders' equity	**1,236,222**	913,201	779,554
Invested capital[2]	**2,133,923**	1,680,695	1,298,823
Total assets	**2,539,036**	1,980,358	1,501,400
CORPORATE FINANCIAL RATIOS (%)			
Current ratio	**132%**	145%	177%
Funded debt[3] to invested capital	**41%**	45%	38%
Operating margin	**24%**	26%	24%
Return on sales	**11%**	12%	11% [4]
Return on average shareholders' equity	**16%**	18%	17% [4]

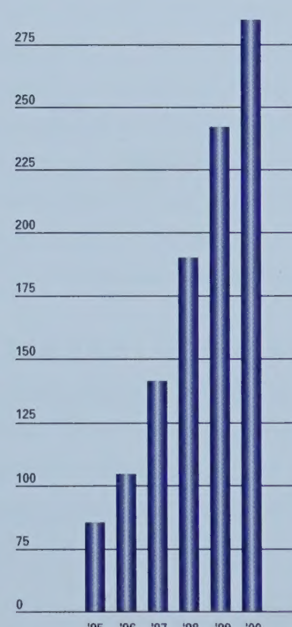
(1) Earnings before minority interest plus items not affecting cash
(2) Aggregate of shareholders' equity, minority interest, funded debt less cash on hand
(3) For the purposes of the calculation funded debt is reduced by cash on hand
(4) Before 1998 $2,900 writedown of land held for development



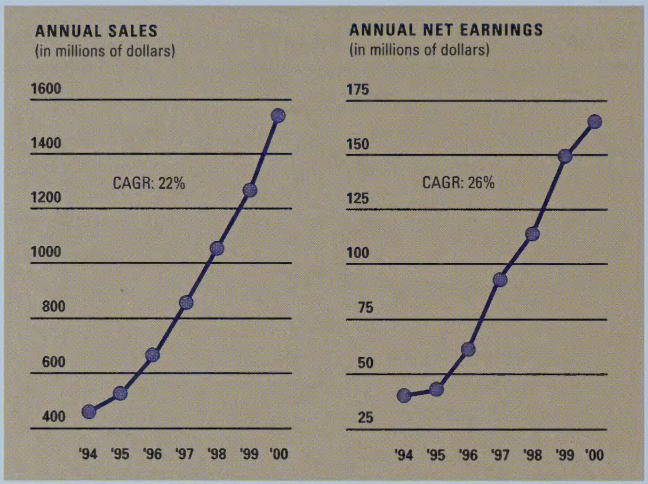
CONSOLIDATED NET SALES
(in millions of dollars)



CONSOLIDATED NET EARNINGS[4]
(in millions of dollars)



CONSOLIDATED CASH FLOW[1]
(in millions of dollars)



Another year of record sales and earnings, while establishing a solid foundation for future growth.

We are pleased to report Royal achieved sales of \$1.55 billion in fiscal 2000, up 21% from the prior year, in spite of easing economic activity. Net profits expanded by 13% to a record \$169 million, in an environment of abrupt increases in raw material cost. Earnings before-tax were curtailed by about \$60 million as a result of unusually rapid and steep increases in raw material costs. Notwithstanding these hurdles, our financial performance continued to significantly outpace others' in our industry faced with these same challenges, proving that we are well equipped to manage any market or economic condition.

As shareholders ourselves, we share your concern that our stock price has declined. However, we believe that Royal offers investment fundamentals which will be increasingly recognized, including growth and potential to leverage the investments we have made in expansion. Ultimately, we believe the market will reward this kind of performance.

GROWTH THROUGH INNOVATION

Since becoming a public company in the fall of 1994, we have introduced many new home improvement products, including indoor and outdoor storage solutions, roof tiles that simulate the look of slate, conservatory systems and PVC fencing and decking. Each of these new products is targeted at today's busy homeowners, who are seeking home improvement solutions that are maintenance-free, durable, attractive and affordable.

During the last six years, we estimate that our potential renovation and improvement sales per home have risen from approximately \$3,000 to \$20,000, as a result of innovative new product development. Expressed another way, we have entered numerous markets, many with a market size greater than Royal's current annual sales. When you combine this huge increase in our available market with the aging inventory of homes in North America and high home ownership rates by busy baby-boomers seeking improvement solutions like we offer, we believe we are positioned for powerful growth in North America.

New product introductions are being executed with improving efficiency, as we increasingly utilize our well-established retail chain store and home improvement product distribution networks in North America. We are also leveraging our emerging identity with homeowners as an innovator of maintenance-free home improvement solutions. Today, a homeowner can purchase a Royal storage shed, fencing, decking, patio furniture and window coverings at various home improvement retail stores. We plan to introduce gazebos and other backyard improvement products to further leverage our presence with homeowners through this rapidly expanding channel of distribution.

Our international operations in Argentina, China, Colombia, Mexico and Poland are all experiencing growth in demand for both The Royal Building System™ and various home improvement products. The introduction of RoyalTel® wireless telephone transmission shelters in Argentina, Brazil, China and Mexico has progressed extremely well, with over \$33 million in orders received over the past 15 months. Most of our international operations are now utilizing their full machine capacity, with additional machines being installed.

Construction of our four million square foot industrial complex in Woodbridge, Ontario is now three-quarters complete, allowing us to respond to increasing demand for our products. The new industrial park provides enough capacity to double our

Vic De Zen
(Chairman, President and C.E.O)

sales of home improvement products and to significantly increase sales of consumer products. The project also allows us to increase manufacturing efficiency by combining a series of smaller existing plants into fewer larger plants.

SUCCESSFUL EXECUTION OF GROWTH STRATEGIES

Since becoming a public company in 1994, we have successfully executed strategies that have broadened our product offering and strengthened our market positions. We have further differentiated Royal from competitors with a narrower product offering. We have enhanced our ability to react to customer needs through increasing vertical integration. We have positioned Royal to achieve our growth objectives, even in periods of slower economic growth.

We continue to employ a series of strategies directed at achieving our growth objectives, including:

- Leverage of existing North American home improvement and consumer distribution channels with new products;
- Introduction of existing home improvement products in international markets;
- International roll out of high potential applications of The Royal Building System™, such as RoyalTel™;
- Utilization of our unique RoyalEco™ recycling technology to develop home improvement products that can displace products manufactured from conventional materials, such as DuraSlate™ roof tiles and door frames; and,
- A combination of capacity expansion and vertical integration to enable market share gains from weaker competitors in North America.

CONTINUING GROWTH AND IMPROVING RETURNS

Even with numerous growth opportunities, we have tempered our 2001 sales growth expectations slightly, as a result of growing evidence the North American economy is slowing. We have also moderated earnings growth expectations, recognizing that we will still be selling inventory consisting of higher cost raw material during the first quarter. However, declining raw material prices are expected to positively impact results as the year progresses. We also acknowledge that there are increased fixed costs associated with our new industrial complex, which are expected to be offset by improving efficiency and volume throughput, over time.

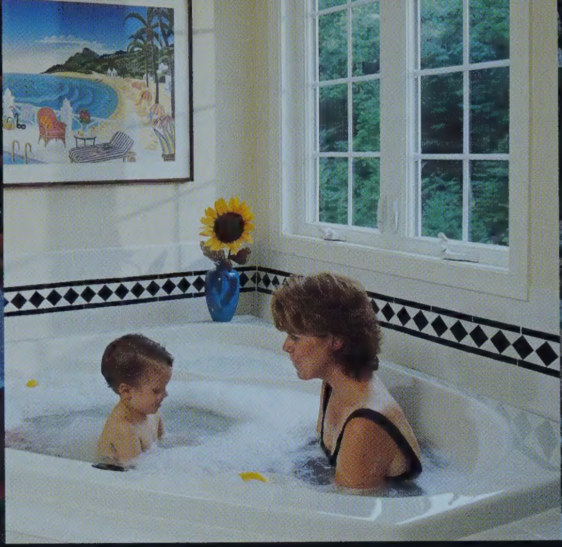
In 2002, we believe that accelerating rates of sales and profit growth are achievable, assuming a stable economic environment. We expect demand for new products to gain momentum as these products garner greater consumer awareness. We also expect that our new industrial complex will generate significant efficiencies as Royal continues to grow.

With much of the capacity required to accommodate our growth plans for the next five years already in place, we are budgeting declining capital expenditures for the next two years. Declining capital expenditures combined with increasing utilization of existing assets as growth opportunities are realized, creates opportunity for improving returns on investment.

During the forthcoming years, we plan to continue to diversify our product line to broaden our base of growth opportunities, we intend to closely manage our cost structure to maximize profitability and we intend to curtail capital expenditures to enable increasing return on investment. In short, we are managing Royal in pursuit of increasing shareholder value.

We want to thank all of the investors who have supported us while we have positioned Royal for a bright future.

Vic De Zen
Chairman, President and C.E.O.
January 1, 2001


Above Left to Right: PVC Window Profiles, PVC Window Profiles, PVC Decking and Fencing
Below: PVC Fencing

CUSTOM PROFILES

Custom profile sales reached $520 million in fiscal 2000, exceeding Royal's total consolidated sales in 1994, the year before Royal became a public company. Over the last five years custom profile sales have increased at an average annual rate of 17%.

Royal's custom profile products include extruded vinyl profiles used in window framing, fencing, decking, door framing, appliance, furniture and transportation industries. Today, the majority of sales are into the North American window profile market, where Royal commands the dominant share of the billion-dollar market.

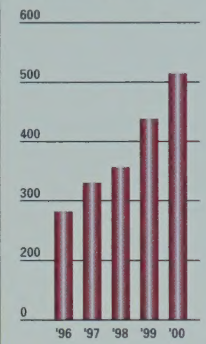
Our superior growth can be partially attributed to vertical integration, which allows design and fabrication of tooling for custom window systems faster than non-integrated competitors. Vertical integration also allows us to offer window fabricator customers sub-assembly of window profiles, thereby providing higher value-added products to our customer base.

There continues to be consolidation amongst window fabricators. With custom profile extrusion plants located across North America, we are uniquely well positioned to service national window fabricators with assembling operations that are geographically dispersed.

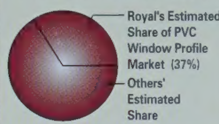
We have just introduced a basement window system utilizing our RoyalEco™ technology, which involves the use of various post-industrial waste materials as raw material. We believe that our system is more durable, affordable and easy to install than basement windows made of conventional materials. This system will allow us to enter a new segment of the window market, it will enhance our relationships with existing vinyl window fabricator customers and attract new customers.

The second largest component of Royal's custom profile business is PVC fencing and decking. PVC fencing and decking are two of the fastest growing segments of the building products industry, with growth emulating that experienced by vinyl windows and siding decades ago. Industry reports suggest that demand for PVC fencing and decking is now growing at rates in excess of 25% per annum and just beginning to scratch the surface of an estimated nine billion dollar market.

CUSTOM PROFILES 5-YEAR SALES GROWTH
(in millions of dollars)



N.A. VINYL WINDOW PROFILE MARKET DATA
Estimated Size: $1.2 billion



Royal's broad offering of PVC fencing and decking styles have been primarily distributed through a network of fabricators and dealers/installers. Recognizing the expanding popularity of maintenance-free fencing and decking, we introduced a line of pre-assembled fencing panels and an easy to install decking system in 2000. Marketed through major home improvement retailers, these products appeal to the small contractor and do-it-yourself customer. The introduction occurred rapidly and successfully, as a result of relationships established with retail stores over the past five years for distribution of storage sheds.

We continue to apply our vinyl extrusion technology to a series of market niches where use of conventional materials is sub-optimal, such as ceiling tile support grids and components for large screen televisions. While these emerging niches are not presently as large as vinyl window profiles, they are expanding rapidly.

With a dominant market position in the growing vinyl window profile market, an innovative approach to the rapidly expanding fencing and decking market and exploitation of various market niches underway, we have many opportunities for further growth.

Above: DuraSlate™ Roof Tiles produced using RoyalEco™ technology

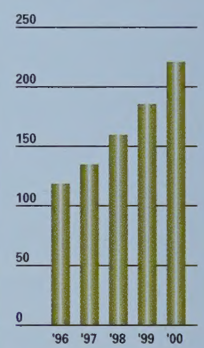
SIDING/ROOFING

Over the past five years, Royal's siding products have grown at a average annual rate of 15%, exceeding estimated industry growth of 7%. Robust sales growth continued in fiscal 2000, with sales growth accelerating to 19%.

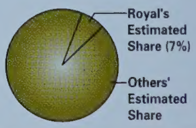
Superior sales growth can be attributed to the successful introduction of a number of upscale siding products and to market share gains in geographic regions experiencing high growth. Sales growth can also be attributed to packaging of siding products with other unique building products, such as roof tiles. Royal is able to offer potential distributors a wider range of profit generators than more narrowly focussed competitors.

Our strategy of innovating unique, up-scale siding products has served us well in recent years, as industry over-capacity has brought pressure to more price-sensitive, commodity-oriented siding market segments. Products such as Woodland 16™, which provides the appeal of a cedar wood-grain finish and up to 30% less laps than conventional siding, have served us well in this competitive environment.

SIDING
5-YEAR SALES GROWTH
(in millions of dollars)



N.A VINYL SIDING MARKET DATA
Estimated Size: $2.8 billion



We have continued to enhance our products in order to stay one step ahead of potential competitors. With Woodland 16™, we introduced a new locking feature that provides the highest wind-load rating in the industry. In an environment experiencing increasing frequency of wind-storms, architects, builders and homeowners are increasingly specifying this type of product.

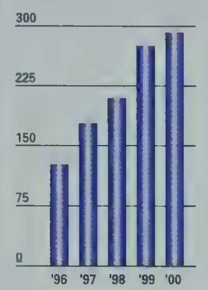
To accommodate increasing demand for our siding products, we have constructed a new, world-class, state-of-the-art manufacturing facility to efficiently produce our expanding line of innovative siding products. With the capacity we need to grow, an increasingly attractive product portfolio and an extensive independent distribution system, we are well positioned to continue to outperform.



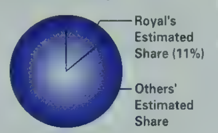
Above Left to Right: Gracious Living™ Wicker Look Storage Solutions, Gracious Living™ Adirondack chairs, Royal Window Coverings Group Horizontal Blinds
Below: Royal Window Coverings Group Vertical Blinds

WINDOW COVERINGS

WINDOW COVERINGS 5-YEAR SALES GROWTH (in millions of dollars)



N.A. HARD WINDOW COVERINGS & DRAPERY HARDWARE MARKET DATA
Estimated Size: $2.5 billion



Royal's window covering business has grown from $62 million in 1995 to $281 million in 2000, representing a average annual growth rate of 35%. Strong double digit growth continued in 2000 as a result of recent new product introductions, which have included horizontal blinds, roman shades, simulated wood blinds, shutters and scons. We have also introduced a line of LaserSheer™ drapery hardware, significantly expanding the available market for our products. Through these new product introductions we have leveraged our presence with over five thousand North American retail outlets and three thousand window covering fabricators, giving consumers a more complete source for their window covering needs.

North American sales growth was enhanced by a strong reception to an in store cutting program, whereby we provided machinery to stores to allow them to customize window blinds while a customer waits. This merchandising support program is now offered to the majority of North American home improvement retailers, with further penetration of the program expected in 2001.

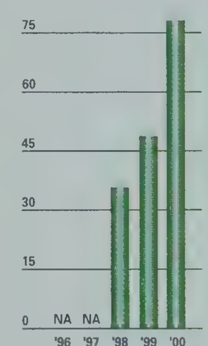
During 2000, manufacturing capacity was increased at a number of window covering plants in response to increasing demand for our products, which are often referred to as the fashion leaders in the window covering industry. We also embarked upon a multi-plant efficiency improvement program, which is beginning to provide increased output from existing assets.

Royal's window covering product line garnered increasing penetration of foreign markets during fiscal 2000. Today, window coverings are distributed in over 30 countries. After opening a small manufacturing facility in Brazil in 1999, we have been able to increase market penetration along the eastern coast of South America. In addition, the expansion of our warehouse facility in Amsterdam has facilitated further penetration of European markets.

New product introductions in North America coupled with increasing penetration of foreign markets positions Royal's window coverings for sustained growth in the years ahead.

PATIO FURNITURE AND INDOOR STORAGE

PATIO FURNITURE AND INDOOR STORAGE 5-YEAR SALES GROWTH (in millions of dollars)



Under the Gracious Living™ by Royal trade name, injection molded patio furniture and indoor storage solutions are marketed to retail chain stores across North America, including Walmart, Lowe's, Sears, Target and Canadian Tire.

During fiscal 2000, sales of Gracious Living™ products reached $77 million, up 59% from $48.5 million last year. Sales growth can be attributed to an increase in the number of stores carrying Gracious Living™ products, to displacement of weaker competitors from shelf space and to the success of new product introductions.

Rapid growth can also be attributed to marketing synergies with other Royal products. These synergies are derived from increasing awareness of Royal by consumers and leverage of retail customers

distributing other Royal products. For example, various home improvement stores, who have carried Royal's innovative outdoor storage product since 1996, now carry patio furniture and fencing and decking, providing consumers with a broad package of maintenance-free backyard improvement products.

In fiscal 2000, the line of indoor storage solutions was expanded to include a wicker look chest of drawers. This "near furniture" product was very well received by consumers and retailers alike, as an attractive method of adding to household storage space, particularly in bathrooms, hallways and closets.

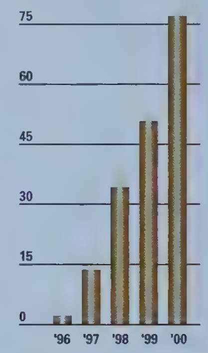
In January of 1999, Gracious Living™ production was moved into a new state-of-the-art 400 thousand square foot manufacturing facility. Throughout fiscal 2000, the efficiency of manufacturing operations increased, as volume throughput rose dramatically and further automation was applied to operations. With capacity utilization increasing at this facility, we are actively exploring production alternatives in the Southwestern U.S., to enable response to rapidly increasing demand for Gracious Living™ products in the west.

OUTDOOR STORAGE SOLUTIONS

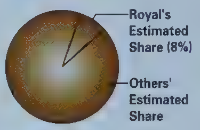
Royal's expanding line of innovative outdoor storage solutions enjoyed another year of strong sales growth in 2000, up 50% to $78 million. Sales growth was a result of an increasing number of retail home improvement chain stores carrying the products, as well as increasing consumer awareness that Royal storage solutions provide unparalleled durability, ease of maintenance, simplicity of assembly and value.

Approximately 1800 national retail home improvement chain stores across North America now carry the Premier™ and YardMate™ lines of storage solutions. The majority of these stores now carry the durable, easy to assemble Royal shed base system, which was first introduced last fall. National chains such as Home Depot, Lowes and Menards' all increased the display space allocated to our products during 2000, displacing storage solutions made from more conventional materials.

OUTDOOR STORAGE 5-YEAR SALES GROWTH
(in millions of dollars)



N.A. OUTDOOR STORAGE PRODUCTS MARKET DATA
Estimated Size: $1 billion



Further North American market share gains are expected in 2001, as we initiate penetration of more regional chain stores, in areas where national chains don't have a presence. In addition, we are targeting manufactured housing communities, which increasingly will specify particular brands of storage solutions for residents.

Our outdoor storage solutions made their debut in Europe in September, sparking great interest at a lawn and garden products trade show in the UK. Distribution has now been created in the UK and Italy, where gardening enthusiasts have begun to recognize the durability and ease of maintenance our products provide. In addition, we continue to expand distribution in Hong Kong and Japan, where outdoor storage is widely utilized as a result of limited indoor housing space.

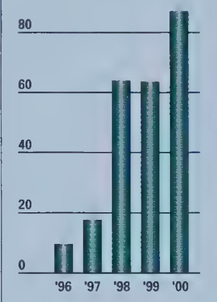
With our high quality, patented line of outdoor storage solutions, homeowners around the world can build storage buildings once, build them right the first time and forget about them. This is a powerful offering to home-owners, considering the less friendly conventional alternatives available.



Above: YardMate™ and Premier™ Outdoor Storage Solutions
Below: Premier™ Outdoor Storage Solutions

THE ROYAL BUILDING SYSTEM™

ROYAL BUILDING SYSTEM
5-YEAR SALES GROWTH
(in millions of dollars)



Very simply, The Royal Building System™ is a patented construction technology that enables rapid construction of a wide variety of structures that have superior durability and ease of maintenance. The Royal Building System™ provides superior energy efficiency and indoor air quality. It can generate construction savings, depending on the location and design of the structure. We believe it is the next generation of construction technology.

Construction using The Royal Building System™ is as simple as sliding together extruded, hollow panels to form walls, which are then filled with concrete. The technology has been used to construct a wide variety of structures, including houses, high-rise condominiums, schools, warehouses, industrial buildings, vehicle washes, agricultural structures and telecommunication shelters in over 50 countries.

Worldwide demand for The Royal Building System™ increased significantly in 2000, as many projects graduated from the pilot stage to the adoption phase. Sales increased to $87 million from $62 million last year, representing a 40% increase. Examples include a 1080 home project in Mexico and a 1700 home project in Argentina.

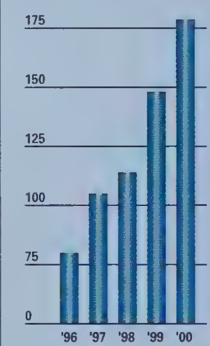
During fiscal 2000, demand for RoyalTel® telecommunication shelters accelerated rapidly as telecommunication infrastructure providers such as Ericsson, China Unicom and TelMex increasingly recognized the durability and flexibility of the System. Over the past 15 months, orders for over $33 million have been received. We are just beginning to scratch the surface of this large, rapidly expanding market. In Argentina, Brazil, Mexico and China alone, it is estimated that over $2.6 billion will be spent on telecommunications shelters during the years 2000 through 2004.

Manufacturing plants in Argentina, Colombia, China, and Mexico are all being fully utilized, with capacity additions scheduled for 2001. The Royal Building System™ continues to open doors around the world for Royal's home improvement products.

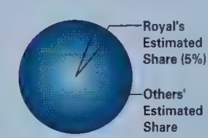
PIPE AND FITTINGS

Sales of Royal's pipe and fittings products have grown at an average annual rate of 16% over the last five years, significantly outpacing industry growth. Sales expanded to $178 million in fiscal 2000, up 20% from the previous year.

PIPE AND FITTINGS
5-YEAR SALES GROWTH
(in millions of dollars)



N.A. PLASTIC PIPE & FITTINGS MARKET DATA
Estimated Size: $3.6 billion



The amalgamation of Royal's five pipe and fittings companies under the umbrella of Royal Pipe Systems has reinforced our complete system offering to the industry. Centralized sales and customer service activities have been very well received by customers seeking a complete pipe and fitting system. We are also pleased with the impact of rationalization on profitability.

There are a series of technologically advanced pipe/conduit products in the final stages of development, which will be launched in 2001. These products include fire protection systems, fiber-optic cable protection systems and electrical conduit components. Each of these new products complements our existing product offering.

With an extensive distribution system, a series of industry-leading products about to be introduced and an efficient manufacturing system, we are poised for further marker share gains.

Above Left to right: Office building in China constructed using The Royal Building System™, Electrical Duct Pipe, RoyalTel® wireless telecommunication shelter
Below: Multi-home subdivision in Venezuela being constructed using The Royal Building System™

OPERATIONS REVIEW | SUPPORT SEGMENT

SUPPORT GROUP

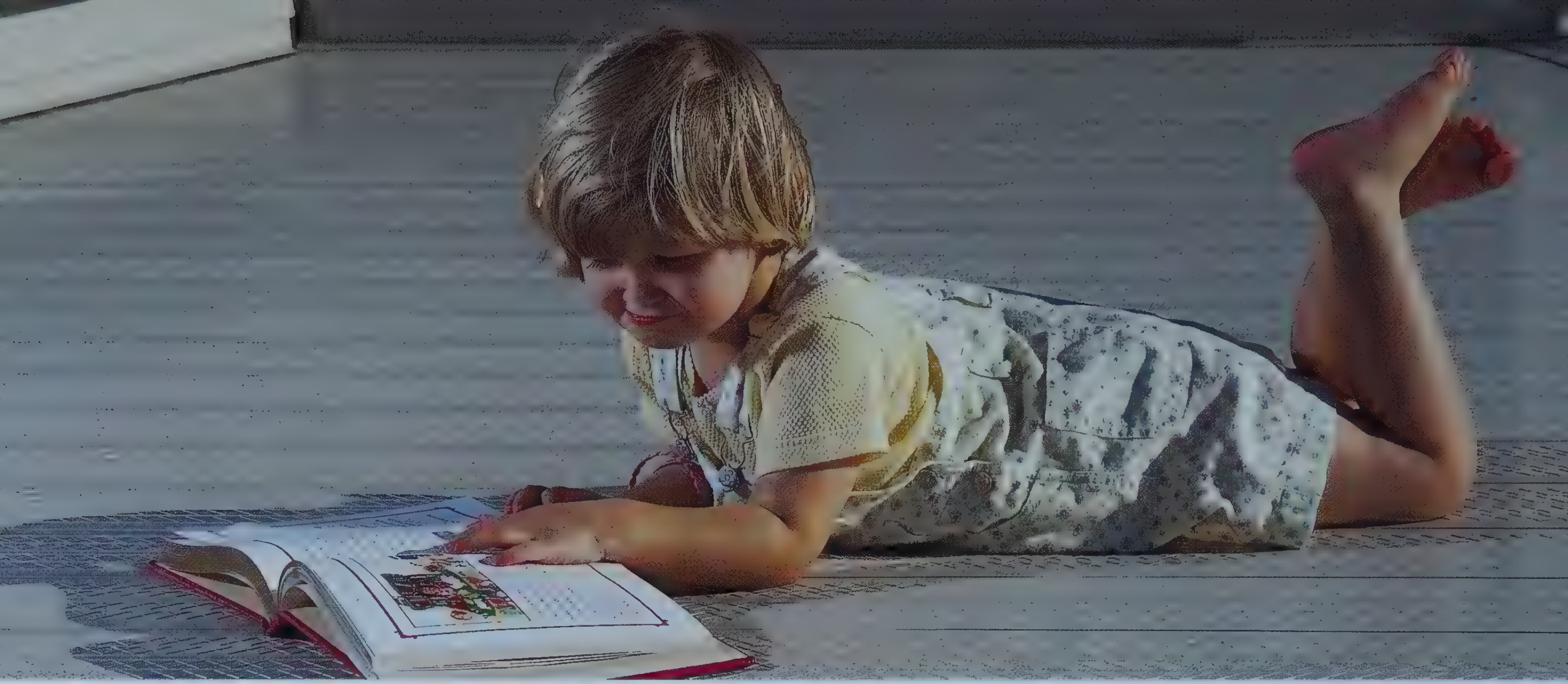
The Support Segment provides raw materials, equipment, real estate and transportation services to the three business units. PVC resin and chemical additives are manufactured and utilized to produce compounds utilized by the business units. Equipment is designed and manufactured internally, including computerized material handling systems. Transportation, plant construction services, as well as research and development are provided by the Group.

Our Support Segment continues to give us an edge over less vertically integrated competitors. It allows us to develop new products faster, it allow us to quickly respond to customers' needs and it allows us to realize profit at every level of the value added chain.

Undoubtedly, the most significant contribution of the Support Group during fiscal 2000 was to mitigate the rising raw material costs. The production of a portion of our PVC resin requirements, the manufacture of various chemical additives and our recycling initiatives all served to partially offset soaring raw material costs. In addition, we were successful in developing a series of new chemical additives and PVC compounds which served to increase the efficiency of our extrusion operations. We foresee continued opportunity to increase extrusion efficiency through refinement of the materials we manufacture. A new, state-of-the-art chemical laboratory at our Reagens Canada chemical plant is assisting us with our on-going quest for advanced materials.

In recent years, we have significantly increased manufacturing infrastructure in the support segment, with the acquisition of a resin plant, the construction of new compounding plants, additions to our chemical plant and expansion of our machine manufacturing facilities. We are now leveraging the investments we have made in the Support Group, simply adding equipment to the plant infrastructure that is already in place as demand from our product producing operations grows. We are well positioned to improve returns on invested capital as we continue to grow, with much of the Support Group's manufacturing infrastructure in place today that is required to accommodate our growth plans for the next five years.

Above left to right: Tooling Development, Materials Development, Materials Development
Below: Extrusion equipment manufactured by Royal Machine



SOCIAL, ENVIRONMENTAL AND EMPLOYEE RESPONSIBILITY

We believe that corporate leadership is measured several ways – in profitability, in social responsibility, in environmental protection and caring for employees. All are co-dependent. To achieve sustainable growth, we must address the needs of all of our stakeholders. Therefore, our business goals include building stronger communities, contributing to a better environment and motivating employees.

SOCIAL

Royal's operations are members of the communities in which they operate and they act accordingly. As well as providing the economic benefits of manufacturing, they donate to community causes. During fiscal 2000 Royal donated to education, health care, sports and religion. Examples of these contributions include:

- Contribution to the fundraising efforts of the E.O.H. Meta Center for developmentally disabled youth in servicing the Toronto area. The Center was built in previous years using components of The Royal Building System™, which were contributed by Royal.
- Alliance with Habitat for Humanity regarding several housing projects in The United States, Canada and the Caribbean, providing needy families a durable, maintenance-free, affordable home built using The Royal Building System™.

ENVIRONMENTAL

Over the past two decades Royal has developed the world's largest PVC recycling facility. The facility recycles PVC scrap from a variety of industrial sources, including customers, which would otherwise be destined for landfill sites. A 300% expansion of this facility was completed in fiscal 2000, enabling more waste created by others to be diverted from landfill sites and incorporated into our products.

Our patented RoyalEco™ technology, which allows us to manufacture building products from a variety of differing plastic waste streams, was successfully commercialized in fiscal 2000. Both roof tiles and storage shed bases manufactured utilizing RoyalEco™

technology experienced increasing demand throughout 2000. Other products that will utilize the technology, including door-frames, decking components and basement windows, are currently under development. This technology makes a contribution to improvement of the environment by diverting waste from landfill sites.

The contribution that The Royal Building System™ makes to the environment was recognized in 2000 by the Vaughan Chamber of Commerce, which presented Royal the Company of the Year Award. The Royal Building System™ allows construction of a variety of structures, including homes, without cutting down any trees, it leaves minimal waste at the construction site, it is extremely energy efficient and it provides superior indoor air quality. The Royal Building System™ has repeatedly saved lives in areas ravaged by wind storms and earthquakes, as a result of unparalleled structural integrity.

These are just a few of the ways Royal is Building a Better World™, both today and for our children tomorrow.

CARING FOR EMPLOYEES

Over the past five years, Royal has increased employment by over 6000 people, bringing the total number of employees to 8600. Royal's employees are highly valued, receiving comprehensive wage and benefit packages. Employees are offered opportunity for advancement, as Royal continues to grow.

Over one thousand employees, including lead hands, die makers and managers, participate in Royal's stock option program, linking their interests with those of all shareholders. A diverse group of employees participate in a profit sharing program aimed at rewarding a broad group of individuals for their contributions to the corporation.

At our main industrial complex in Woodbridge, we have just opened a fitness center for all employees. This endeavor recognizes that the health of our people, an important asset, is key to our continued prosperity.

Vic De Zen
Chairman, President and C.E.O.
January 1, 2001

Royal is substantially engaged in the manufacture and distribution of polymer-based home improvement, consumer and construction products for sale in the North American renovation, remodeling and new construction industries, and more recently in international markets. Royal is a vertically integrated, innovative, technology based growth company and a low cost producer in its industry.

RESULTS FROM OPERATIONS

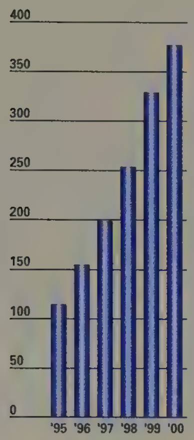
The following discussion has been prepared by management and is a review of the Company's operating results and financial position for the years ended September 30, 2000, 1999 and 1998 and based upon accounting principles generally accepted in Canada. All amounts are in Canadian dollars unless specified otherwise. This discussion and analysis of the Company's operations have been derived from and should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto appearing elsewhere in this Annual Report. During fiscal 2000, the Company adopted Section 3465, of the CICA Handbook, Income Taxes. The new section requires a change from the deferred method of accounting for income taxes to the asset and liability method. The cumulative effect of this change of $3,700 as of October 1, 1999 is reported separately in the consolidated statement of retained earnings as a restatement of the opening balance of retained earnings as disclosed in note 1(j)(i) of the consolidated financial statements.

The following table discloses the Company's Statements of Earnings (in thousands of Canadian dollars, except per share amounts) for the years ended September 30, 2000, 1999, and 1998.

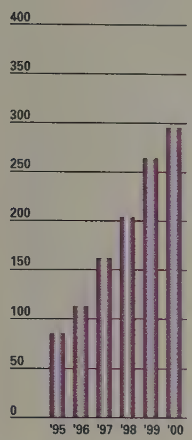
	2000	1999	1998
Net Sales	**$ 1,549,481**	$ 1,282,004	$ 1,050,103
Cost of sales and operating expenses and other income	**(1,171,082)**	(952,902)	(799,103)
EBITDA	**378,399**	329,102	251,000
EBITDA percentage	**24.4%**	25.7%	23.9%
Amortization	**(83,335)**	(67,134)	(50,033)
Interest and financing charges	**(46,592)**	(31,377)	(17,617)
Land write down	**-**	-	(2,900)
Earnings from operations	**248,472**	230,591	180,450
Income taxes	**(79,246)**	(79,182)	(64,712)
Earnings before minority interest	**169,226**	151,409	115,738
Minority interest	**(109)**	(1,440)	355
Net Earnings	**169,117**	149,969	116,093
Basic Earnings per share	**$1.95**	$1.75	$1.38
Basic Earnings per share prior to land write down in fiscal 98	**$1.95**	$1.75	$1.41
Weighted average number of outstanding shares	**86,929,410**	85,862,042	84,214,148

Currently the Company operates substantially in the North American renovation, remodeling and construction markets, which are seasonal. Accordingly, approximately three-fifths of Royal's net sales and operating margin and two thirds of its net earnings occur in its last two quarters. As such, sales, operating margins and net earnings as a percentage of sales have historically been significantly different in the earlier quarters, or on a by-quarter basis, as compared to an annualized amount or rate. For the purposes of the following discussion the terms "EBITDA" and "Operating margin" are used interchangeably.

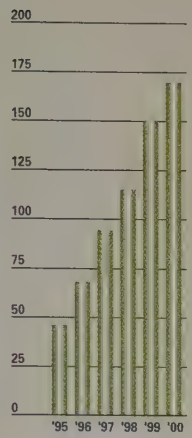
EBITDA
(in millions of dollars)



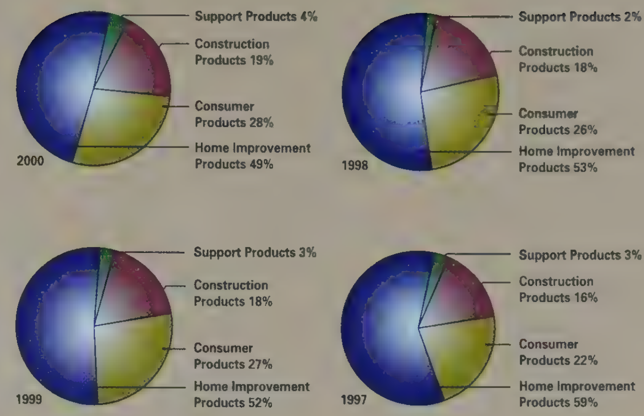
EBIT
(in millions of dollars)



NET EARNINGS
(in millions of dollars)



SALES BY PRODUCT LINE
(percentage)



YEAR ENDED SEPTEMBER 30, 2000 AS COMPARED TO THE YEAR ENDED SEPTEMBER 30, 1999

NET SALES

Overall net sales:

Consolidated net sales for the year ended September 30, 2000 increased 21% or $267.5 million to a record $1.55 billion, up from $1.28 billion in 1999. The overall sales increase was primarily due to unit volume increases in all major product lines, with slightly higher average selling prices experienced in custom, siding, and pipe product lines. Acquisitions completed during 2000 and 1999 accounted for only $18.5 million or 7% of the sales growth in 2000.

The following table summarizes net sales by segment (in millions):

	2000	1999	%change
Product line:			
Home Improvement Products	**761**	662	15%
Consumer Products	**436**	350	25%
Construction Products	**287**	230	25%
Product Segment:	**1,484**	1,242	20%
Support Segment:	**735**	539	36%
Intra Group elimination	**(669)**	(499)	
Consolidated	**1,550**	1,282	21%

Home Improvement, Consumer and Construction Products Segment ("Product Segment"):

Home improvement, consumer and construction products segment sales for the year ended September 30, 2000 increased 19.5% or $242 million to $1,484 million from $1,242 million in 1999. The increase was lead by consumer and construction product lines each increasing 25% from prior year. The former increase was due to higher unit volumes sold in both outdoor storage sheds and indoor storage and patio furniture. While the latter was due to higher volumes sold in building systems and pipe products, with higher average selling prices in pipe products. Home improvement products grew by 15%, which was lead by custom profiles up 18% or $80 million from prior year primarily due to higher unit volumes, with some higher selling prices. Home improvement products rate of growth was lower due to a 45% decrease in residential doors, as a result of the sale of Steelwood Doors Inc. during fiscal 2000. Excluding residential doors, home improvement products (custom profiles and siding) grew substantially organically by 18.5% significantly outpacing the NAHB's 1.1%, 2000 growth forecast for the North American repair and remodeling industry.

Materials, Machinery, Real Estate and Transportation Segment ("Support Segment"):

Support segment sales for the year ended September 30, 2000 increased 36% or $195.9 million to $734.8 million from $538.9 million in 1999. This significant increase was primarily due to increased sales, both internal and external sales in the material processing companies, resulting from the expansion of capacities in the segment and a full year of sales activity for the resin facility.

Geographic Sales distribution:

During fiscal 2000, sales to non-Canadian customers, including foreign-based sales and exports from Canadian operations decreased to 66.4% of total sales from 69.9% for the same period in 1999. Increases in sales volume rates to Canadian customers outpaced both the United States and International markets as higher volumes sold in both the pipe and patio furniture product lines, which are typically more regional markets.

Overall a net sales growth rate lower than recent past trends is expected in fiscal 2001 emanating from continued growth in demand for our current product lines, including contributions from the introduction of new products and/or applications, and offset by an expected slower economy.

OPERATING MARGIN:

Overall:

The Group's overall operating margin (or EBITDA) for the year ended September 30, 2000 increased by $49.3 million or 15% to $378.4 million compared to $329.1 million last year. EBITDA as a percentage of sales

decreased to 24.4% from 25.7% last year. Raw material costs as a percentage of sales increased to 43% from 40% last year due primarily to higher resin costs during the year. Over the last 18 months the resin industry experienced both the fastest and steepest increase in resin prices recorded in the last ten years. During fiscal 2000, despite our vertical integration and selling price increases, unit raw material cost increased by approximately $60 million. In the earlier part of the year, the Company was able to overcome this increase with higher unit volumes sold and slightly higher selling prices. This was not the case for the last quarter of the year, when the overall rate of growth declined and resin unit cost remained high. For fiscal 2001, management expects downward pressure on global resin costs.

Labour and overhead costs as a percentage of sales were 12.8% and 8.7% respectively, and compare to 13.3% and 8.6% last year. Labour efficiencies were gained by higher unit volumes, while higher amortization cost and costs associated with moving production facilities into the new industrial complex north of Toronto, slightly increased overhead cost. Selling, general and administration cost as a percentage of sales decreased by 0.8% to 16.9% from 17.7% last year. Selling costs decreased to 11.0% from 11.2% while general and administration cost decreased to 5.9% from 6.5% last year. Fiscal 2000 experienced selling, general and administration cost decreases was due to lower unit cost through greater utilization of plant capacities.

During the year, the Company concluded a strategic alliance and joint venture with Premdor Inc. to work together to introduce technologically advanced, composite door products to global markets. As part of the alliance, the Company sold Steelwood Doors Inc. to Premdor. The gain on the sale of Steelwood was recorded as other income in fiscal 2000.

Product segment EBITDA for the year ended September 30, 2000 increased by $27.6 million or 13% to $238.7 million compared to $211.1 million last year. EBITDA as a percentage of sales decreased to 16.1% from 17% last year. The decrease was primarily due to higher average raw material unit cost.

Support segment EBITDA for the year ended September 30, 2000 increased $21.7 million or 18% to $139.7 million from $118 million in 1999. EBITDA as a percentage of sales decreased to 18.9% from 21.9% last year. This decrease was primarily due to the aforementioned resin cost increase. Some of the higher resin cost impact was recovered with higher average selling price to the product segment.

For fiscal 2001, management believes the Group's overall EBITDA as a percentage of sales should remain relatively stable and consistent with recent levels.

AMORTIZATION EXPENSE:

Amortization expense as a percentage of sales was 5.4% slightly higher than the 5.2% experienced last year. This expense increased by $16.2 million from $67.1 million for the same period last year due to added capacities in both operating segments through both acquisitions and the capital expenditure program undertaken during the period.

In the products segment amortization expense as a percentage of sales was 3.9%, slightly higher than the 3.8% experienced last year. This expense increased by $10.8 million from $47.4 million for the same period last year due primarily to added capacities in custom profiles and building system product lines.

In the support segment amortization expense as a percentage of sales was 3.4%, slightly lower than the 3.6% experienced last year. This expense increased by $5.4 million from $19.7 million for the same period last year due primarily to added capacities in the material processing companies and manufacturing facility additions.

INTEREST AND FINANCING CHARGES

As anticipated interest and financing charges increased as a percentage of sales, to 3.0% from 2.4% last year. Interest expense increased by $15.2 million from $31.4 million due to higher level of loan utilization for working capital and capital spending purposes, as the Group's interest rates were relatively consistent with those experienced in 1999. During the year, Company's capital expenditure program was financed with equal portions of cash flow from operations and debt proceeds. It is expected that on a dollar basis, interest costs will peak in fiscal 2001 as the corporate industrial complex is substantially completed. Management anticipates an effective interest rate of approximately 6.75% for fiscal 2001.

INCOME TAX EXPENSE

In fiscal 2000, income tax expense as a percentage of earnings before income taxes decreased to 31.9% from 34.4% due mainly to; the adoption of the new accounting recommendation from the Canadian Institute of Chartered Accountants, section 3465, Accounting for Income Taxes, income earned in foreign jurisdictions with a lower effective tax rate and various income tax initiatives implemented throughout the year. For fiscal 2001, management expects an overall consolidated tax rate of approximately 33%.

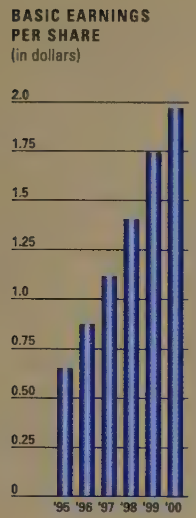
NET EARNINGS AND EARNINGS PER SHARE

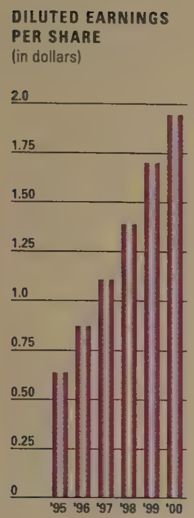
Net earnings in 2000 increased by $19.1 million or 12.8% to a record $169.1 million or 10.9% of sales from $150 million or 11.7% of net sales for the previous year. On a fully diluted basis, earnings per share for fiscal 2000 was $1.90. This is an improvement over the fiscal 1999 fully diluted earnings per share of $1.72. The average number of shares outstanding for fiscal 2000 on a fully diluted basis was approximately 92.6 million or 2.3 million lower than in fiscal 1999.

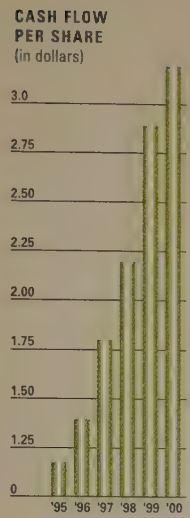
LIQUIDITY AND CAPITAL RESOURCES

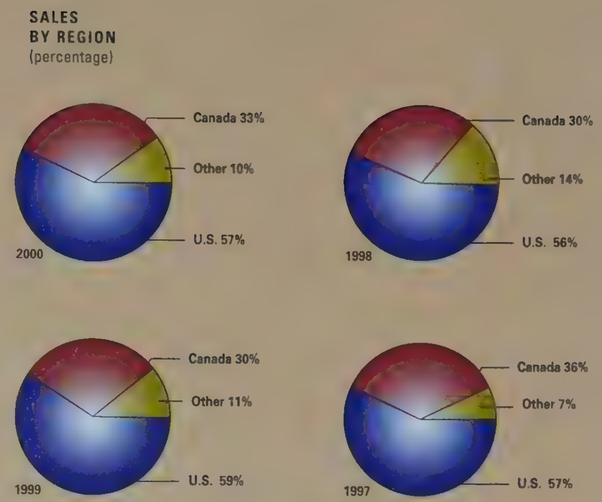
CASH FLOW

In fiscal 2000, the Company generated cash flow of $280.3 million or $3.22 per share, an improvement of $36.5 million or 15% over $243.8 or $2.84 per share generated in the prior year. During the three years ended September 30, 2000, the company's cash flow aggregated $711.1. Cash flow from operations and debt proceeds were used to finance working capital expansion and capital spending.









WORKING CAPITAL

A summary of the Company's consolidated working capital position at September 30 is set out below:

	2000	1999
Working Capital	**197.0**	181.2
Current ratio	**1.32:1**	1.45:1

Working capital was $197 million at September 30, 2000 compared to $181.2 million at September 30, 1999. As a measure of asset management, an 11% increase in days receivable was experienced in 2000 while days inventory increased 18 days from 115 days last year. The former increase represents a function of sales skewing towards the end of the fourth quarter relative to last year and slightly higher average unit selling prices. Higher days inventory occurred due to higher raw material prices, inventory to support new product lines, higher levels of inventory on hand for companies relocated to the new industrial complex and generally all operating companies had higher inventory levels to support anticipated sales growth increases. Management has a mandate to reduce the operating cycle in fiscal 2001.

CAPITAL SPENDING

Overall capital spending including acquisitions, for the years ended September 30, 2000 & 1999 is summarized below:

	2000	1999
Capital expenditures	**373.7**	270.0
Acquisitions	**0.8**	160.5
Total capital spending	**374.5**	430.5

For the year ended September 30, 2000, capital expenditures amounted to $374 million compared to $270 million for the same period last year. Approximately $211.6 million was expended in the support segment, including $123.5 million for additions to manufacturing facilities and $88.1 million for added capacities in the material processing companies, including significant expansion in the RoyalEco™ recycling technologies. The remaining $162.1 million was expended in the products segment, primarily for added capacities in the custom profiles, window coverings, siding and indoor storage product lines.

During 2000, the Company acquired either 100% or controlling interest in certain businesses for aggregate consideration of $0.8 representing net assets of $0.4 and goodwill of $0.4 million.

For fiscal 2001, excluding possible business acquisitions, the Company anticipates a net investment in capital assets in the range of $200 to $225 million, primarily for added capacities.

SHARE ISSUANCE

During the year, the Company issued 4.5 million subordinate voting shares for gross proceeds of approximately $157 million. The proceeds were used to repay outstanding borrowings under existing bank credit facilities.

LONG TERM DEBT AND FINANCIAL INSTRUMENTS

In August 2000, the Company increased its syndicated bank credit facilities to $700 million from $600 million, of which approximately $264.2 million (38%) was drawn at September 30, 2000. The bank credit facility can be used for working capital requirements, acquisitions and capital expenditures. At year-end the funded debt to total capitalization was 41%, down from 45% last year due to the higher rate of growth equity as a result of current year earnings and the aforementioned share issuance.

During the year, the Company has authorized a $400 million medium term note program in Canada rated A- by DBRS and CBRS. This program is unsecured and ranks pari passu with the bank credit facility. On April 13, 2000, the Company issued $150 million of 10-year medium term notes bearing interest at 6.90% semi-annually in arrears, maturing April 13, 2010.

In addition, the Company has authorized a $300 million commercial paper program in Canada rated R-1 (low) by DBRS. The program is supported by the bank credit facility and became

active on September 26, 2000, with $100 million of commercial paper issued and outstanding at September 30, 2000.

Management believes that the Company's anticipated cash flow from operations and available credit under its existing financing arrangements are sufficient to meet its working capital and capital spending requirements, as well as debt service requirements, including the seasonal natures thereof.

YEAR ENDED SEPTEMBER 30, 1999 AS COMPARED TO THE YEAR ENDED SEPTEMBER 30, 1998

Net sales in 1999 increased 22% or $231.9 million over 1998 to $1.282 billion. Double-digit growth was recorded in each segment. The overall sales increase was primarily due to unit volume increases as selling prices were relatively stable during the period. Acquisitions completed during fiscal 1999 accounted for approximately $53.4 million of the consolidated growth.

Products segment sales for the year increased $217.8 million or 21% to $1.2 billion from $1 billion in 1998. This increase was primarily due to a $107 million or 19% increase in home improvement products, attributable to higher unit volumes sold in both custom profiles and siding. During 1999 consumer product sales increased $72 million or 26% as a result of a 46% increase in the Company's outdoor shed line.

Support segment sales for the year increased $147.7 million or 38% to $538.9 million from $391.2 million in 1998. This increase was primarily due to increased sales, both internal and external, in the material processing companies. Material processing sales increased due to the acquisition of Imperial Oil's PVC resin manufacturing facility and higher volumes sold of compound, chemical additives and recycled materials resulting from the significant expansion of capacities in the segment over the past few years.

During fiscal 1999, sales to non-Canadian customers, including foreign-based sales and exports from Canadian operations increased slightly to 69.9% of total sales from 69.7% for the same period in 1998. Increase in sales volumes to US customers were offset against declines in exports to international locations due to a significant Russian contract in 1998, which due to Russia's economic slowdown was not repeated and start-up delay's in Poland and China operations.

Overall operating margin increased in 1999 to 25.7% of sales compared to 23.9% from 1998. Raw material costs as a percentage of sales decreased to 40.0% from 41.9% in 1998 due to the integration of the new resin facility. Labour and overhead costs as a percentage of sales remained unchanged at 13.3% and 8.6% respectively. Efficiencies gained by higher unit volumes were slightly offset by higher labour and overhead costs associated with the resin facility, which lowered the Groups overall raw material costs. Selling, general and administration cost as a percentage of sales increased by 0.6% to 17.7% from 17.1% in 1998. Selling costs increased to 11.2% from 10.4% in 1998 due to new marketing program expenditures and slightly higher distribution and warehousing costs for the establishment of new products. General and administration cost decreased to 6.5% from 6.7% in 1998 due to higher volume throughput.

Product segment EBITDA for the year increased by $60.7 million or 40% to $211 million compared to $150.3 million in 1998, while EBITDA as a percentage of sales increased to 17% from 14.7%. The increase was due to higher unit volumes sold in all of the segments' product lines and to some extent was offset by continued ramp up in foreign operations.

Support segment's EBITDA for the year increased $17.4 million or 17% to $118 million from $100.6 million in 1998. EBITDA as a percentage of sales decreased to 21.9% from 25.7% in 1998, due to higher average raw material, labour and conversion costs absorbed by the segment.

Amortization expense as a percentage of sales was 5.2% which is higher than the 4.8% experienced in 1998. This expense increased by $17.1 million from $50 million for the same period last year due to added manufacturing capacities in both operating segments.

In the products segment amortization expense as a percentage of sales was 3.8%, which is slightly higher than the 3.4% experienced in 1998, due to added capacities for most of the segments product lines.

In the support segment amortization expense as a percentage of sales was 3.6%, which is slightly lower than the 3.9% experienced in 1998, due to higher unit throughput. This expense increased by $4.5 million from $15.2 million for the same period in 1998 due to added capacities in the material-processing companies.

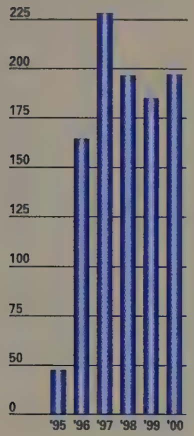
Interest and financing charges increased as a percentage of sales, to 2.4% from 1.7% last year. Interest expense increased by $13.8 million from $17.6 million due to higher level of loan utilization for capital spending purposes, as effective interest rates were relatively consistent with those experienced in 1998.

Income tax expense as a percentage of earnings before income taxes decreased to 34.4% in fiscal 1999 from 35.9 in fiscal 1998 due mainly to income earned in jurisdictions with lower effective tax rates.

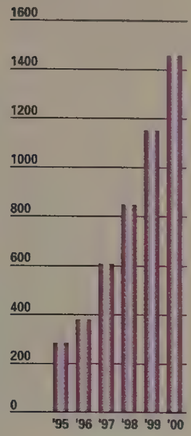
Net earnings in 1999, increased by $31 million or 26% to a record $150 million or 11.7% of sales from $119 million, excluding the $2.9 million non-cash land write down in fiscal 1998 or 11.3% of net sales for the previous year. Including the fiscal 1998 non-cash land write down, net earnings in fiscal 1999 increased 29% over 1998.

On a fully diluted basis, earnings per share for fiscal 1999 was $1.72. This is an improvement over the fiscal 1998 fully diluted earnings per share of $1.38 or excluding the non-cash land write down, net of income taxes of $1.41. The average number of shares outstanding for fiscal 1999 on a fully diluted basis was approximately 94.9 million or approximately 1 million higher then fiscal 1998 primarily as a result of the issuance of share under the Company's stock option plan.

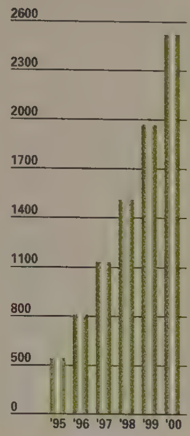
WORKING CAPITAL
(in millions of dollars)



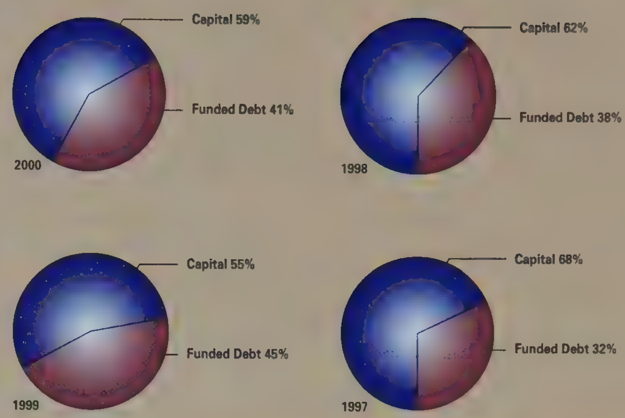
PROPERTY, PLANT AND EQUIPMENT
(in millions of dollars)



TOTAL ASSETS
(in millions of dollars)



FUNDED DEBT TO CAPITAL
(percentage)



RISKS AND UNCERTAINTIES

Royal operates in many markets each of which involves various known and unknown risk factors and uncertainties and other factors affecting Royal specifically or these markets generally. Royal's future performance could be affected by these important factors, which in some cases have affected, and which in the future could affect, Royal's actual results and could cause Royal's actual results for 2001 and beyond to differ materially from those expressed in any forward-looking statements made by or on behalf of Royal. These risks and uncertainties include fluctuations in the level of renovation, remodeling and to a lesser extent construction activity, changes in Royal's product costs and pricing, changes in Royal's product mix, the growth rate of the markets in which Royal's products are sold, market acceptance and demand for Royal's products, changes in availability or prices for raw materials, pricing competition, difficulty in developing and introducing new products, failure to penetrate new markets effectively (particularly in developing countries), difficulty in preserving proprietary technology, changes in environmental regulation and currency risk exposure. Certain of these risks and uncertainties are described in more detail below.

- Royal's business is substantially related to the North American renovation, remodeling and construction markets, both residential and industrial/commercial. Therefore, the demand for the products manufactured and distributed by Royal is affected by changes in the general state of the North American economy, including renovation and remodeling, new housing starts and the level of construction activity in general.

- The price and availability of raw materials, and in particular PVC resin, represents a substantial portion of the cost of manufacturing Royal's products. Historically, there have been fluctuations in these raw materials prices and in some instances price movements have been volatile and affected by circumstances beyond Royal's control. There can be no assurance that Royal can pass on increases from normal market fluctuations in the price of PVC resin to its customers through increases in selling price, or otherwise absorb such costs increases without significantly affecting its margins. In addition, the industry has occasionally found certain raw materials to be in short supply.

- As the Company continues to expand the scope of its activities in foreign markets, it becomes exposed to a greater risk of foreign exchange fluctuations. The company attempt to minimize risks associated with currency fluctuations through matchings the currency of debt financing and the currency of certain raw material purchases to the currency of sales or asset acquisitions. While Royal has not entered into significant market instruments with respect to foreign exchange hedging in the past, it may, if deemed necessary, do so in a prudent fashion, in the future. The Company does not purchase derivative instruments beyond those needed to hedge foreign currency requirements.

OUTLOOK FOR 2001 AND 2002

Even with numerous growth opportunities, management has tempered its 2001 sales growth expectations, as a result of growing evidence the North American economy is slowing. Management has also moderated earnings growth expectations, recognizing that the company will still be selling inventory consisting of higher cost raw material during the first quarter. However, declining raw material prices are expected to positively impact results as the year progresses. Management also acknowledges that there are increased fixed costs associated with the new industrial complex, which are expected to be offset by improving efficiency and volume throughput, over time.

In 2002, management believes that accelerating rates of sales and profit growth are achievable, assuming a stable economic environment. Management expects demand for new products to gain momentum as these products garner greater consumer awareness. Management anticipates that the new industrial complex will generate significant efficiencies as Royal continues to grow.

REPORT TO THE SHAREHOLDERS

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in this report is the responsibility of management. The financial statements have been prepared in accordance with appropriate and generally accepted accounting principles and reflect management's best estimates and judgements. All other financial information in the report is consistent with that contained in the financial statements. The Company maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for preparation of financial statements.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee which is comprised solely of independent directors. The Audit Committee reviewed the consolidated financial statements with management and external auditors and recommended their approval by the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, Chartered Accountants. Their report stating the scope of their audit and their opinion on the consolidated financial statements is presented below.

V. De Zen

Vic De Zen
Chairman, President
and Chief Executive Officer
November 17, 2000

Gary Brown

Gary Brown
Executive Vice President
and Chief Financial Officer
November 17, 2000

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Royal Group Technologies Limited as at September 30, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting policies generally accepted in the United States would have affected the financial statements to the extent summarized in note 19 to the consolidated financial statements.

KPMG LLP

Chartered Accountants
Toronto, Canada
November 17, 2000

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)
September 30, 2000 and 1999

	2000	1999
ASSETS		
Current assets:		
Accounts receivable (note 4)	$ **363,939**	$ 292,457
Inventories (note 5)	**428,305**	279,181
Prepaid expenses and deposits	**22,082**	11,353
	814,326	582,991
Property, plant and equipment (note 6)	**1,455,027**	1,159,362
Future income tax assets (note 14)	**20,826**	–
Goodwill and other assets (note 7)	**248,857**	238,005
	$ **2,539,036**	$ 1,980,358
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 9)	$ **330,546**	$ 170,314
Accounts payable and accrued liabilities (note 8)	**286,297**	230,993
Term debt due within one year (note 9)	**479**	466
	617,322	401,773
Term debt (note 9)	**547,210**	577,431
Future income tax liabilities (note 14)	**118,816**	68,670
Minority interest	**19,466**	19,283
Shareholders' equity:		
Capital stock (note 10)	**605,712**	450,708
Retained earnings	**657,791**	492,374
Currency translation adjustments	**(27,281)**	(29,881)
	1,236,222	913,201
	$ **2,539,036**	$ 1,980,358

See accompanying notes to consolidated financial statements.

On behalf of the Board:

V. Fodo

Director

Gary Burd

Director

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of Canadian dollars, except per share amounts)
Years ended September 30, 2000 and 1999

		2000		1999
Net sales	$	1,549,481	$	1,282,004
Cost of sales and operating expenses		1,179,107		952,902
Other income		8,025		–
Earnings before the undernoted		378,399		329,102
Amortization charges (note 12)		83,335		67,134
Interest and financing charges (note 13)		46,592		31,377
Earnings before income taxes and minority interest		248,472		230,591
Income taxes (note 14)		79,246		79,182
Earnings before minority interest		169,226		151,409
Minority interest		109		1,440
Net earnings	$	169,117	$	149,969
Basic earnings per share (note 11)	$	1.95	$	1.75

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of Canadian dollars)
Years ended September 30, 2000 and 1999

		2000		1999
Retained earnings, beginning of year:				
As previously reported	$	492,374	$	377,925
Adjustment for implementation for future income taxes (note 1(j)(i))		(3,700)		–
Adjustment for change in accounting policy (note 1(j)(ii))		–		(35,520)
As restated		488,674		342,405
Net earnings		169,117		149,969
Retained earnings, end of year	$	657,791	$	492,374

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars, except per share amounts)
Years ended September 30, 2000 and 1999

	2000	1999
Cash provided by (used in):		
Operating activities:		
Earnings before minority interest	$ **169,226**	$ 151,409
Items not affecting cash (note 16)	**111,108**	92,435
Change in non-cash operating working capital (note 17)	**(171,419)**	(41,817)
	108,915	202,027
Financing activities:		
Increase in bank indebtedness	**160,232**	75,390
Term debt proceeds	**150,000**	185,000
Term debt repayments	**(180,208)**	(4,016)
Issuance of shares, net of share issue costs	**149,900**	–
Issuance of shares under stock option plan	**2,578**	6,447
	282,502	262,821
Investing activities:		
Acquisitions of property, plant and equipment, net	**(373,699)**	(270,004)
Acquisition of other businesses	**(819)**	(154,924)
Increase in investments	**(14,208)**	(12,151)
Increase in other assets	**(3,234)**	(760)
	(391,960)	(437,839)
Effect of exchange rate changes	**543**	(27,009)
Change in cash, being cash, end of year	$ **–**	$ –
Cash flow, being earnings before minority interest plus items not affecting cash	$ **280,334**	$ 243,844
Basic cash flow per share	**3.22**	2.84
Supplemental cash flow information:		
Interest paid	$ **52,506**	$ 44,331
Income taxes paid	**63,148**	54,405
Supplemental non-cash financing and investing activities disclosure:		
Shares issued on acquisition of businesses (note 2)	$ **–**	$ 5,557

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)
Years ended September 30, 2000 and 1999

1. Significant accounting policies:
These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below. A reconciliation to accounting principles generally accepted in the United States is shown in note 19.

(a) Principles of consolidation:
These consolidated financial statements include the accounts of Royal Group Technologies Limited, its subsidiaries and its proportionate share of the accounts of its joint ventures. Investments in joint ventures have been proportionately consolidated based on the Company's ownership interest. All significant intercompany profits, transactions and balances have been eliminated on consolidation.

(b) Use of estimates:
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(c) Inventories:
Inventories are stated at the lower of cost, determined using the first-in, first-out method, and replacement cost for raw materials and work-in-process and net realizable value for finished goods.

(d) Property, plant and equipment:
Property, plant and equipment is stated at cost less accumulated amortization. Interest expense relating to major capital expenditures is capitalized when significant interest costs are incurred before the capital facility commences production. Amortization is provided on a straight-line basis over the estimated useful lives of the assets using the following annual rates:

ASSET	RATE
Buildings	20 - 40 years
Plant equipment	10 - 15 years
Dies and moulds	4 - 10 years
Office and computer equipment	3 - 10 years
Aircraft and transport equipment	5 - 20 years

(e) Goodwill and other assets:
Goodwill is amortized on a straight-line basis over 40 years. Goodwill is regularly evaluated by reviewing the returns of the related business, taking into account the risk associated with the investment. Any permanent impairment of goodwill would be written off against earnings.

Patents and deferred financing costs are amortized on a straight-line basis over 5 to 17 years for the former and over the life of the debt instrument for the latter.

Investments over which the Company is able to exercise significant influence are accounted for using the equity method and investments where the Company does not control or exercise significant influence, are accounted for using the cost method.

(f) Foreign currency translation:
Financial statements of self-sustaining foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded under a separate caption of shareholders' equity and are included in earnings only upon a reduction in the investment.

Foreign currency transactions are translated using the temporal method. Translation gains and losses are included in earnings, except for unrealized gains and losses arising from the translation of long-term monetary liabilities, which are deferred and amortized over the remaining life of the related item.

(g) Research and development:
The Company carries on various applied research and development ("R&D") programs, certain of which are partially funded by governments (including investment tax credits). R&D expenditures are charged to earnings in the period in which they are incurred. Funding received is accounted for using the cost reduction approach. Total R&D expenditures were approximately $19,100 (1999 - $12,900). R&D expenditures expensed to cost of sales were approximately $9,050 (1999 - $7,540).

(h) Start-up costs:
Costs incurred in establishing new facilities, including pre-operating costs, are charged to earnings in the period in which they are incurred.

(i) Stock option plan:
The Company has a stock option plan which is described in note 10. No compensation expense is recognized for this plan when stock or stock options are issued to management and key operating personnel. Any consideration paid by management and key personnel on exercise of stock options or purchase of stock is credited to capital stock.

(j) Change in accounting policies:

(i) In December 1997, the Accounting Standards Board of The Canadian Institute of Chartered Accountants ("CICA") issued Section 3465 of the CICA Handbook, Income Taxes ("Section 3465"). Effective for the year ended September 30, 2000, the Company adopted Section 3465 and has reported the cumulative effect of that change in the method of accounting for income taxes as of October 1, 1999 in the consolidated statement of retained earnings. Section 3465 requires a change from the deferred method of accounting for income taxes to the asset and liability method of accounting for income taxes.

Under the asset and liability method of Section 3465, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Section 3465, the effect on future income tax assets and liabilities of a change in tax laws and rates is recognized in income in the period that includes the enactment date.

Pursuant to the deferral method, which was applied for the year ended September 30, 1999 and prior years, deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable for the year of the calculation. Under the deferral method, deferred taxes are not adjusted for subsequent changes in tax rates.

The cumulative effect of this change in accounting for income taxes of $3,700 is determined as of October 1, 1999 and is reported separately in the consolidated statement of retained earnings as a restatement of the opening balance of retained earnings for the year ended September 30, 2000. Prior years' consolidated financial statements have not been restated to apply the provisions of Section 3465.

(ii) Effective October 1, 1998, the Company changed its policy for accounting for start-up costs. Accordingly, these costs are expensed as incurred rather than capitalized and amortized. This change resulted in net earnings increasing by $2,362, net of income taxes of $3,091 ($0.03 per share) in fiscal 1999.

(k) Comparative figures:
Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)
Years ended September 30, 2000 and 1999

2. Business development:

Acquisitions of other businesses:

During 2000, the Company acquired either 100% or controlling interest in certain businesses for aggregate consideration of $819 in cash. These acquisitions were accounted for by the purchase method and are summarized as follows:

Working capital, and property, plant and equipment	$	3,951
Term debt		(3,475)
Future income tax liabilities		(71)
Minority interest		(1)
		404
Goodwill		415
Total purchase price	$	819

During 1999, the Company acquired either 100% or controlling interest in certain businesses for aggregate consideration of $143,865 in cash and subordinate shares. These acquisitions were accounted for by the purchase method and are summarized as follows:

Working capital	$	27,618
Property, plant and equipment		79,628
Other long-term assets		4,148
		111,394
Term debt		(3,544)
Future income tax liabilities		(710)
Minority interest		(4,625)
		102,515
Goodwill		41,350
Total purchase price	$	143,865
Consideration:		
Share capital	$	5,557
Cash		138,308
	$	143,865

In addition, during 1999, the Company acquired minority interest of $15,849. The aggregate consideration of $16,616 was paid, generating goodwill of $767.

3. Interest in joint ventures:

The Company's proportionate interest in joint ventures includes current assets of $5,554 (1999 - $4,799), property, plant and equipment of $6,786 (1999 - $5,016), current liabilities of $3,123 (1999 - $2,775) and long-term liabilities of $1,974 (1999 - $2,028). Operating results of the Company include sales of $29,080 (1999 - $24,815) and net earnings of $3,107 (1999 - $2,334) from its proportionate interest of joint venture operations.

Cash provided from operations of $3,136 (1999 - $1,752) and acquisitions of property, plant and equipment of approximately $1,636 (1999 - $1,875) related to its proportionate share of operations of certain joint ventures during the year.

4. Accounts receivable:

	2000	1999
Trade, net of allowance for doubtful accounts of $5,197 (1999 - $10,812)	$ 339,607	$ 278,229
Taxes and other	24,332	14,228
	$ 363,939	$ 292,457

5. Inventories:

	2000	1999
Raw materials and work-in-process	$ 160,827	$ 112,668
Finished goods	267,478	166,513
	$ 428,305	$ 279,181

6. Property, plant and equipment:

			2000	1999
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 80,199	$ –	$ 80,199	$ 81,007
Buildings	406,154	68,560	337,594	267,200
Plant equipment	914,750	217,757	696,993	497,229
Dies and moulds	154,749	75,181	79,568	50,140
Office and computer equipment	39,511	21,715	17,796	16,140
Aircraft and transport equipment	59,414	20,401	39,013	38,845
	1,654,777	403,614	1,251,163	950,561
Assets under construction	203,864	–	203,864	208,801
	$ 1,858,641	$ 403,614	$ 1,455,027	$ 1,159,362

Assets under construction are expected to be placed into productive use during fiscal 2001 and consist of land and buildings under construction of $139,400 (1999 - $89,467) and plant equipment under construction of $64,464 (1999 - $107,294). Capital expenditures during the year include $15,362 (1999 - $13,826) of capitalized interest costs.

(In thousands of Canadian dollars, except per share amounts)

7. Goodwill and other assets:

	2000	1999
Goodwill, net of accumulated amortization of $26,424 (1999 - $20,661)	$ 192,264	$ 197,444
Patents, net	7,453	6,814
Deferred financing costs, net	2,352	1,167
	202,069	205,425
Investments	46,788	32,580
	$ 248,857	$ 238,005

Investments include the Company's holdings in associated companies and other business ventures accounted for by the equity and cost methods, including the Company's investment of $13,250 (1999 - nil) in Premdor Inc.

8. Accounts payable and accrued liabilities:

	2000	1999
Trade	$ 230,402	$ 183,872
Taxes and other	55,895	47,121
	$ 286,297	$ 230,993

9. Bank indebtedness and term debt:

The Company has a revolving $700,000 (1999 - $600,000) unsecured credit facility with a syndicate of banks, of which $264,154 was drawn at September 30, 2000 (1999 - $379,600).

The September 30, 2000 bank facility is for working capital requirements, acquisitions, capital expenditures, and commercial paper back-up liquidity lines and bears interest at prime or at 0.625% over bankers' acceptances rates or LIBOR, plus a standby fee of 0.125% on the undrawn portion of the bank facility payable quarterly in arrears, while the Company maintains its A- credit rating. Additionally, utilization fees are determined quarterly in arrears of 0.05% if 1/3 to 2/3 of the bank facility is drawn and 0.10% if greater than 2/3 of the bank facility is drawn. The drawn fee and the standby fee are subject to variation if the Company's credit rating is adjusted.

The Company may elect at any time to term out any outstanding amount under the bank facility which shall then be available on a non-revolving, non-amortized basis, and be repayable in full within two years following expiry of the 364-day bank facility. The costs of the term-out shall be the same as the current bank facility drawn amounts.

The September 30, 1999 facility consists of a $350,000 operating loan for working capital requirements, that bears interest at prime or at 0.525% over bankers' acceptances rates or LIBOR plus a facility fee of 0.15% payable quarterly in advance, and $250,000 of term debt for acquisitions and capital expenditures, that bears interest at prime or at 0.650% over bankers' acceptances rates or LIBOR plus a facility fee of 0.175% payable quarterly in advance.

During fiscal 2000, the Company also has authorized a $300 million commercial paper program in Canada. This program is supported by the bank facility and became active on September 26, 2000. As at September 30, 2000, $100 million of commercial paper had been issued at approximately 0.03% - 0.04% over bankers' acceptances rates, plus a commission of 0.125%.

During October 2000, the Company issued a further approximate $200 million under the program using the proceeds to pay down its bank facility The Company intends to issue current debt first under its commercial paper program and the balance, if any, under its bank facility.

	2000	1999
Revolving unsecured bank facility:		
Bankers' acceptances advances	$ 158,392	$ 337,714
LIBOR advances (U.S. $48,000; 1999 - $12,000)	72,154	17,600
Commercial paper program	100,000	–
Medium term note program:(a)		
Canadian dollar notes issued	150,000	–
Senior notes (U.S. $100,000), unsecured, bearing interest at 7.17% on U.S. $75,000 and 7.31% on U.S. $25,000, principal repayments due annually from August 2001 to 2006	150,320	146,670
Senior notes (U.S. $165,000), unsecured, bearing interest at 6.84% on U.S. $50,000 and 7.10% on U.S. $115,000, principal repayments due November 2002 and November 2007, respectively	248,028	242,005
Term debt requiring periodic principal repayments	7,779	8,317
Deferred foreign exchange loss	(8,438)	(4,095)
Total debt	878,235	748,211
Bank indebtedness	(330,546)	(170,314)
Term debt due within one year	(479)	(466)
	$ 547,210	$ 577,431

(a) The Company has authorized a $400 million medium term note program in Canada. This program is unsecured, ranking pari passu with the bank facility. On April 13, 2000, the Company issued $150 million of notes bearing a coupon rate of 6.90%, payable semi-annually in arrears, maturing April 13, 2010, at which time, the notes are due in full.

Term debt principal repayments for the next five fiscal years are as follows:

2001	$ 479
2002	23,031
2003	98,186
2004	23,031
2005 and thereafter	402,962
	$ 547,689

10. Capital stock:

Authorized share capital of the Company consists of the following:

(a) Unlimited number of preference shares:

Preference shares are issuable in series, with the designation of rights, privileges, restrictions and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series. None of these shares are issued or outstanding.

(b) Unlimited number of subordinate voting shares and multiple voting common shares:

(i) Subordinate voting shares:
Each share is entitled to one vote per share at all meetings of shareholders and shall participate equally as to dividends with each multiple voting share.

(ii) Multiple voting shares:
Each share is entitled to 20 votes per share at all meetings of shareholders and shall participate equally as to dividends with each subordinate voting share. Each share may be converted at any time into a fully paid subordinate voting share on a one-for-one basis.

In the event that either the subordinate voting shares or the multiple voting shares are subdivided or consolidated, the other class shall be similarly changed to preserve the relative position of each class. Under certain conditions, the sale or transfer of multiple voting shares shall cause such shares to be changed to subordinate voting shares.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)
Years ended September 30, 2000 and 1999

	Subordinate voting Shares	Subordinate voting Amount	Multiple voting Shares	Multiple voting Amount	Total Shares	Total Amount
Issued and outstanding, September 30, 1998	68,002,382	$ 420,294	17,635,444	$ 18,410	85,637,826	$ 438,704
Issued on acquisition of companies	150,000	5,557	–	–	150,000	5,557
Issued for cash under stock option plan	353,613	6,447	–	–	353,613	6,447
Issued and outstanding, September 30, 1999	68,505,995	432,298	17,635,444	18,410	86,141,439	450,708
Issued for cash, net of share issue costs (net of taxes of $2,526)	4,500,000	152,426	–	–	4,500,000	152,426
Issued for cash under stock option plan	130,400	2,578	–	–	130,400	2,578
Fractional shares issued relating to Royal Ecoproducts amalgamation	1,473	–	–	–	1,473	–
Issued and outstanding, September 30, 2000	**73,137,868**	**$ 587,302**	**17,635,444**	**$ 18,410**	**90,773,312**	**$ 605,712**

The Company maintains a stock option plan to allow management and key operating personnel to purchase subordinate voting shares, substantially exercisable as to half on or after three years from the date of issue, the balance after six years from the date of issue. The maximum number of subordinate voting shares reserved to be issued for options cannot exceed 10,636,000 and all options expire nine years after the date of issue. The number of stock options has varied as follows:

	2000 Number of options	2000 Weighted average exercise price	1999 Number of options	1999 Weighted average exercise price
Balance, beginning of year	**9,515,954**	**$ 23.92**	9,674,333	$ 23.28
Granted	**732,500**	**31.46**	1,047,275	32.64
Exercised	**(130,400)**	**20.69**	(353,613)	18.14
Cancelled	**(323,400)**	**29.44**	(852,041)	29.77
Balance, end of year	**9,794,654**	**$ 24.34**	9,515,954	$ 23.92
Options exercisable, end of year	**1,409,572**	**$ 27.11**	797,122	$ 25.22

The following table summarizes information about options outstanding at September 30, 2000:

	Options outstanding			Options exercisable	
Range of exercise prices per share	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable	Weighted average exercise price
$ 7.15 - $ 17.63	3,662,548	3.3 years	$ 11.28	45,450	$ 15.30
18.40 - 29.90	1,942,244	5.9 years	25.90	1,041,622	26.16
30.45 - 36.00	1,880,340	6.5 years	33.02	322,500	31.83
36.15 - 46.60	2,309,522	6.5 years	36.68	-	-
	9,794,654		$ 24.34	1,409,572	$ 27.11

(In thousands of Canadian dollars, except per share amounts)

11. Earnings per share:

Basic and fully diluted net earnings per share have been calculated using the weighted average and maximum dilutive number of shares outstanding during the year of 86,929,410 (1999 - 85,862,042) and 92,592,702 (1999 - 94,920,221), respectively. Earnings per share on a fully diluted basis is $1.90 (1999 - $1.72).

12. Amortization charges:

	2000	1999
Property, plant and equipment	**$ 76,383**	$ 60,682
Goodwill	**5,763**	5,643
Patents	**1,189**	809
	$ 83,335	$ 67,134

13. Interest and financing charges:

	2000	1999
Interest expense:		
Operating	**$ 17,878**	$ 10,187
Term and senior notes	**24,465**	17,090
Bank and financing charges	**2,841**	2,284
Amortization of deferred financing costs and foreign exchange loss	**1,408**	1,816
	$ 46,592	$ 31,377

14. Income taxes:

Total income tax expense for the year ended September 30, 2000 was allocated as follows:

	2000	1999
Income before income tax:		
Canadian operations	**$ 239,791**	$ 214,312
Foreign operations	**8,681**	16,279
	$ 248,472	$ 230,591
Current income tax expense:		
Canadian operations	**$ 46,297**	$ 47,065
Foreign operations	**4,803**	5,503
	51,100	52,568
Future income tax expense:		
Canadian operations	**26,114**	25,876
Foreign operations	**2,032**	738
	28,146	26,614
	$ 79,246	$ 79,182

14. Income taxes continued:

Income tax expense attributable to income from continuing operations differs from the amounts computed by applying the combined federal and provincial income tax rate of 35.5% to pretax income from continuing operations as a result of the following:

	2000	1999
Earnings before income taxes and minority interest	**$ 248,472**	$ 230,591
Expected income taxes based on an effective manufacturing and processing income tax rate of approximately 35.5% (1999 - 36%)	**$ 88,207**	$ 83,013
Changes in income taxes attributed to:		
Amortization of non-deductible goodwill and future income tax assets	**2,157**	1,629
Adjustment to future income tax assets and liabilities for enacted changes in tax laws and rates	**(1,900)**	–
Reduction due to income earned in foreign jurisdictions	**(5,869)**	(3,953)
Non-taxable income and other	**(3,349)**	(1,507)
	$ 79,246	$ 79,182

The tax effects of temporary differences that give rise to significant portions of the future income tax assets and liabilities at September 30, 2000 are presented below:

Future income tax assets:	
Share issue costs	**$ 3,578**
Non-capital loss carryforwards	**12,427**
Other, including refundable taxes	**5,821**
	21,826
Less valuation allowance	**(1,000)**
Net future income tax assets	**20,826**
Future income tax liabilities:	
Capital, intangible and other assets	**(117,737)**
Other	**(1,079)**
Net future income tax liabilities	**$ (97,990)**

The Company has been granted tax incentives, including tax holidays, for its Poland and China subsidiaries. These incentives are subject to certain conditions with which the Company expects to comply.

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of all of the deferred income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, the character of the tax asset and tax planning strategies in making this assessment. Based upon projections of future taxable income over the periods in which the future income tax assets are deductible, management believes the Company will realize the benefits of these assets.

(In thousands of Canadian dollars, except per share amounts)

15. Segment reporting data:

During fiscal 1999, the Company adopted the segment disclosure requirements as provided for in the new recommendations of The Canadian Institute of Chartered Accountants and United States Financial Accounting Standards Board ("FASB"). The recommendations establish standards for reporting information about operating segments in financial statements issued to shareholders. Operating segments are defined as components of an enterprise about which separate financial information is available and which are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company's significant operating segments are:

(i) Home improvement, consumer and construction products:
This segment represents production and sale of products predominately to the renovation and retrofit market, which include window and door extruded profiles, window coverings, siding, pipe and pipe fittings, fencing, decking, doors, outdoor storage sheds and various applications of the building system used to construct a broad array of structures.

(ii) Materials, machinery and real estate:
This segment represents companies that provide a majority of their output internally, including PVC resin and chemical additives manufactured and utilized to produce compounds utilized by the products segment. Equipment, transportation, research and development and other support services are also provided by this segment.

Performance is evaluated based on earnings before amortization and interest. The Company sells to a broad range of customers, none of which accounted for more than 3.3% of net sales (1999 - 2.9%).

The accounting policies for each of the segments are the same as those described in note 1. Intersegment transactions are accounted for as if the transactions were to third parties, at market prices.

2000	Home improvement, consumer and construction products	Materials, machinery and real estate	Intra-group	Consolidated
Net sales	**$ 1,483,724**	**$ 734,757**	**$ (669,000)**	**$ 1,549,481**
Earnings before amortization and interest	**238,684**	**139,715**		**378,399**
Amortization charges	**58,170**	**25,165**		**83,335**
Total assets	**1,418,323**	**1,120,713**		**2,539,036**
Property, plant and equipment, net	**661,809**	**793,218**		**1,455,027**
Property, plant and equipment and goodwill additions	**162,082**	**212,032**		**374,114**

1999	Home improvement, consumer and construction products	Materials, machinery and real estate	Intra-group	Consolidated
Net sales	$ 1,242,065	$ 538,940	$ (499,001)	$ 1,282,004
Earnings before amortization and interest	211,070	118,032		329,102
Amortization charges	47,409	19,725		67,134
Total assets	1,150,122	830,236		1,980,358
Property, plant and equipment, net	547,746	611,616		1,159,362
Property, plant and equipment and goodwill additions	168,068	144,053		312,121

Virtually all intra-group sales relate to the materials, machinery and real estate segment.

Net sales to non-Canadian customers, including foreign-based sales and exports from Canadian operations, represented 66.4% (1999 - 70%) of total net sales. Certain information with respect to geographic regions is presented below:

2000	Canada	U.S.	Other	Total
Sales	**$ 520,649**	**$ 879,736**	**$ 149,096**	**$1,549,481**
Property, plant and equipment, net	**1,095,143**	**223,015**	**136,869**	**1,455,027**
Goodwill, net	**87,160**	**94,300**	**10,804**	**192,264**

1999	Canada	U.S.	Other	Total
Sales	$ 386,202	$ 758,701	$ 137,101	$1,282,004
Property, plant and equipment, net	845,834	181,035	132,493	1,159,362
Goodwill, net	94,166	91,731	11,547	197,444

16. Items not affecting cash:

	2000	1999
Amortization charges	**$ 83,335**	$ 67,134
Amortization of deferred financing costs and foreign exchange loss	**1,408**	1,816
Future income taxes	**28,146**	26,614
Other	**(1,781)**	(3,129)
	$ 111,108	$ 92,435

17. Change in non-cash operating working capital:

	2000	1999
Accounts receivable	**$ (69,370)**	$ (54,851)
Inventories	**(150,631)**	(37,767)
Prepaid expenses and deposits	**(11,239)**	(4,678)
Accounts payable and accrued liabilities	**59,821**	55,479
	$ (171,419)	$ (41,817)

The change in non-cash operating working capital noted above is exclusive of non-cash working capital acquired through acquisitions.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)
Years ended September 30, 2000 and 1999

18. Financial instruments and risk management:

(a) Foreign exchange:

The Company has significant investments denominated in U.S. dollars, which gives rise to a risk that its investments may be adversely impacted by fluctuations in foreign exchange as measured against the Canadian dollar. The Company uses U.S. dollar-denominated loans to hedge its U.S. dollar-denominated investments. Any exchange gain or loss on these loans is offset against the exchange loss or gain arising on translation of the respective financial statements of the foreign operations included in the currency translation adjustments account shown as a separate component of shareholders' equity.

Fair value estimates of term debt are determined by references to current market prices for debt with similar terms and risks. As at September 30, 2000, the fair value of the Company's senior notes exceeded the book value of these obligations by $1,053 (1999 - $5,980) at year-end exchange rates. As at September 30, 2000, the fair value of the Company's medium term note approximates its book value.

(b) Derivative financial instruments:

The Company does not hold or issue financial instruments for trading purposes and does not hold any significant derivative instruments.

(c) Concentration of credit risk:

Concentration of credit risks in accounts receivable are limited due to the large number of customers comprising the Company's customer base throughout the world. The Company performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts based on credit risk applicable to particular customers, historical trends and other relevant information.

(d) Fair values of financial instruments:

The fair values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities and bankers' acceptances advances in the consolidated balance sheets approximate their carrying amounts due to the short-term maturities of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

19. Significant differences between Canadian and United States generally accepted accounting principles:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In certain respects, the United States GAAP ("U.S. GAAP") differs from those in Canada. The following is a summary of the effect of significant differences in GAAP on the consolidated financial statements:

(a) Description of GAAP differences:

(i) Foreign exchange on term debt:

Canadian GAAP requires that unrealized gains and losses on the translation of long-term debt denominated in foreign currencies at current exchange rates be deferred and amortized over the term of the debt. Under U.S. GAAP, such gains and losses are charged to earnings as period costs.

(ii) Earnings per share:

The weighted average number of common shares used to calculate earnings per share under the provisions of FASB Statement No. 128 are as follows:

	2000	1999
Basic	**86,929**	85,862
Diluted	**89,614**	89,195

(iii) Substantially enacted tax laws and rates:

Canadian GAAP permits the recognition of the impact of substantially enacted changes in tax laws and rates on the measurement of future income tax assets and liabilities in the period those tax laws and rates have been substantially enacted.

U.S. GAAP does not recognize the concept of substantially enacted tax laws and rates and only allows recognition of the impact of a tax rate reduction on future income tax assets and liabilities once it is passed into law.

(iv) Change in accounting policy:

The Company's revised accounting policy for start-up costs described in note 1(j)(ii) is consistent with the provisions of the American Institute of Certified Public Accountants Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"). However, under SOP 98-5, prior periods may not be restated for the change in accounting policy and the cumulative effect of adopting the new policy as at the beginning of 1999 is charged to the consolidated statements of earnings.

(b) Net earnings in accordance with U.S. GAAP:

	2000	1999
Net earnings in accordance with Canadian GAAP	**$169,117**	$ 149,969
Impact on net earnings of U.S. GAAP adjustments:		
Foreign exchange on term debt (note 19(a)(i))	**(4,343)**	15,225
Effect of change in accounting policy for start-up costs (note 19(a)(iv))	–	(41,841)
Tax effect of adjustments	**1,542**	6,983
Substantially enacted tax laws and rates (note 19(a)(iii))	**(4,336)**	–
Net earnings based on U.S. GAAP	**161,980**	130,336
Foreign currency translation adjustment	**2,600**	(28,326)
Comprehensive income based on U.S. GAAP	**$164,580**	$ 102,010
Basic earnings per share	**$ 1.86**	$ 1.52
Diluted earnings per share	**1.81**	1.46

(In thousands of Canadian dollars, except per share amounts)

(c) Shareholders' equity in accordance with U.S. GAAP:

	2000	1999
Shareholders' equity in accordance with Canadian GAAP	**$1,236,222**	$ 913,201
Foreign exchange on term debt (note 19(a)(i))	**(8,438)**	(4,095)
Tax effect of adjustments	**2,995**	1,474
Substantially enacted tax laws and rates (note 19(a)(iii))	**(4,336)**	–
Shareholders' equity in accordance with U.S. GAAP	**$1,226,443**	$ 910,580

(d) Effect on consolidated balance sheets and consolidated statements of earnings:
The application of U.S. GAAP would result in the following presentation on these captions on the consolidated balance sheets and consolidated statements of earnings:

	2000	1999
Term debt	**$556,127**	$ 581,992
Net future income tax liabilities	**99,331**	67,196
Tax provision	**82,040**	72,199

(e) Other disclosures:

(i) Accounting for employee stock options:
U.S. GAAP encourages but does not require companies to record compensation cost for stock option plans at fair value. The Company accounts for stock options using the intrinsic value method as permitted under U.S. GAAP. The United States accounting pronouncement Financial Accounting Standards Board No. 123 ("SFAS 123") does, however, require the disclosure of pro forma earnings and earnings per share information as if the Company had accounted for its employee stock options issued in 1995 and subsequent years under the fair value method. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions by year:

Assumptions	2000	1999
Risk-free interest rate	**6.1%**	5.0%
Expected life (in years)	**4.4**	4.2
Expected volatility	**35.8%**	30.3%
Weighted average fair value of options granted during the year	**$ 12.13**	$ 10.59

Had compensation cost for the plan been determined based on the fair value at the grant dates for awards under the plan consistent with the method described in SFAS 123, the Company's U.S. GAAP net earnings and net earnings per share would have been reduced to the pro forma amounts indicated below:

	2000	1999
Net earnings:		
As reported	**$161,980**	$ 130,336
Pro forma	**151,399**	119,920
Basic net earnings per share:		
As reported	**1.86**	1.52
Pro forma	**1.74**	1.40
Diluted net earnings per share:		
As reported	**1.81**	1.46
Pro forma	**1.69**	1.34

(ii) New U.S. accounting standards:
In June 1998, the FASB issued SFAS No. 133 "Derivative Instruments and Hedging Activities," as amended by SFAS 137, effective for fiscal years beginning after June 15, 2000. SFAS No. 133 requires that the Company report all derivative instruments on the consolidated balance sheets at fair value. Management has not determined the impact of the adoption of SFAS No. 133 on its U.S. GAAP disclosures.

In December 1999, The Securities Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements". SAB 101 provides guidance for the revenue recognition under certain circumstances. SAB 101 is effective in the year commencing October 1, 2000. The Company does not believe SAB 101 will have a material impact on the consolidated financial statements.

20. Commitment:
The Company has a long-term agreement for the annual purchase of up to 400 million pounds of vinyl chloride monomer from a North American supplier. The contract is at market prices reflecting considerations for volume and term and has a minimum duration of five years.

ROYAL AT A GLANCE

PRODUCT LINES	ANNUAL NET SALES (IN MILLIONS OF DOLLARS)					
	'95	'96	'97	'98	'99	'00
Home Improvement Products						
Custom Profiles	234	283	331	365	440	520
Siding	111	117	137	159	185	221
Residential Doors	24	27	30	30	37	20
Consumer Products						
Window Coverings	62	137	175	205	249	281
Outdoor Storage	-	3	14	35	52	78
Indoor Storage & Patio Furniture	-	-	-	37	49	77
Construction Products						
Pipe & Fittings	85	78	106	114	149	178
Royal Building System	-	9	18	63	61	87
Commercial Doors	-	-	13	16	20	22
TOTAL HOME IMPROVEMENT, CONSUMER AND CONSTRUCTION PRODUCTS SEGMENT	516	654	824	1,024	1,242	1,484
TOTAL MATERIAL, MACHINERY, REAL ESTATE AND TRANSPORTATION SEGMENT (ARM'S LENGTH SALES)	19	21	25	26	40	66
CONSOLIDATED NET SALES	535	675	849	1,050	1,282	1,550

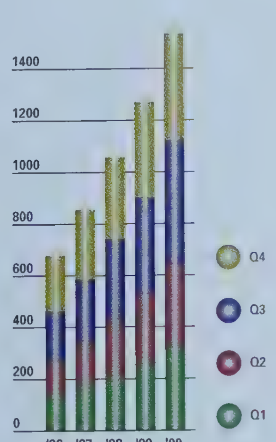
QUARTERLY DATA[1]

(In thousands of Canadian dollars, except per share amounts)

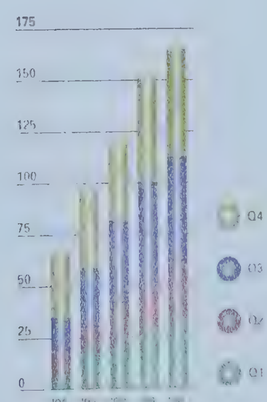
Currently the Company operates substantially in the North American renovation, remodeling and construction markets, which are seasonal. Accordingly, approximately three-fifths of Royal's net sales and operating margin and two thirds of its net earnings occur in its last two quarters. As such, sales, operating margins and net earnings as a percentage of sales have historically been significantly different in the first two quarters, or on a by-quarter basis, as compared to an annualized amount or rate.

	Q1	Q2	Q3	Q4	Total
Corporate Operating Results – Fiscal 2000					
Net sales	320,128	334,508	459,835	435,010	**1,549,481**
Operating margin	74,524	76,727	119,930	107,218	**378,399**
Earnings from operations	44,890	44,852	86,647	72,083	**248,472**
Net earnings	29,737	29,405	56,768	53,207	**169,117**
Basic earnings per share	$0.35	$0.34	$0.66	$0.60	**$1.95**
Corporate Operating Results – Fiscal 1999					
Net sales	260,700	272,063	371,628	377,614	**1,282,004**
Operating margin	59,477	63,631	99,282	106,712	**329,102**
Earnings from operations	39,144	40,181	74,525	76,741	**230,591**
Net earnings	25,083	25,445	47,715	51,726	**149,969**
Basic earnings per share	$0.29	$0.30	$0.56	$0.60	**$1.75**
Corporate Operating Results – Fiscal 1998					
Net sales	211,436	229,344	304,098	305,225	**1,050,103**
Operating margin	46,346	47,558	78,180	78,916	**251,000**
Earnings from operations	31,040	31,806	60,138	60,366	**183,350**
Net earnings	18,402	19,028	39,725[2]	41,838	**118,993**[2]
Basic earnings per share	$0.22	$0.23	$0.47[2]	$0.49	**$1.41**[2]
Corporate Operating Results – Fiscal 1997					
Net sales	174,492	175,539	240,098	258,612	**848,741**
Operating margin	36,448	35,992	60,910	66,078	**199,428**
Earnings from operations	23,322	23,228	47,096	53,003	**146,649**
Net earnings	13,975	14,473	30,488	32,727	**91,663**
Basic earnings per share	$0.17	$0.18	$0.38	$0.40	**$1.13**
Corporate Operating Results – Fiscal 1996					
Net sales	130,401	133,442	196,215	215,034	**675,092**
Operating margin	23,982	24,574	48,635	55,253	**152,442**
Earnings from operations	14,019	14,252	36,451	42,597	**107,319**
Net earnings	8,802	9,017	23,281	26,053	**67,153**
Basic earnings per share	$0.12	$0.12	$0.30	$0.33	**$0.87**

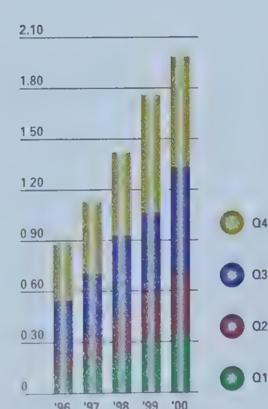
QUARTERLY NET SALES
(in millions of dollars)



QUARTERLY NET EARNINGS
(in millions of dollars)



QUARTERLY BASIC EPS
(in dollars)



See page 38 for footnotes

TEN-YEAR SUMMARY OF STATEMENTS OF EARNINGS[3]

For the years ended September 30
(In thousands of Canadian dollars, except per share amounts)

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Net Sales	**1,549,481**	1,282,004	1,050,103	848,741	675,092	535,053	466,810	368,388	316,564	266,317
Cost of sales and operating expenses	**(1,179,107)**	(952,902)	(799,103)	(649,313)	(522,650)	(423,444)	(360,557)	(286,904)	(244,589)	(212,128)
Other income	**8,025**	-	-	-	-	-	-	-	-	-
Operating margin	**378,399**	329,102	251,000	199,428	152,442	111,609	106,253	81,484	71,975	54,189
Operating margin percentage	**24.4%**	25.7%	23.9%	23.5%	22.6%	20.9%	22.8%	22.1%	22.5%	20.3%
Amortization	**(83,335)**	(67,134)	(50,033)	(43,624)	(36,932)	(28,095)	(23,902)	(20,552)	(18,536)	(17,841)
Interest and financing charges	**(46,592)**	(31,377)	(17,617)	(9,155)	(8,191)	(9,895)	(17,597)	(20,387)	(19,771)	(25,002)
Earnings from operations	**248,472**	230,591	183,350	146,649	107,319	73,619	64,754	40,545	33,689	11,346
Management shareholder bonuses	-	-	-	-	-	-	(8,079)	(5,446)	(1,979)	(1,578)
Unusual items	-	-	(2,900)	-	-	-	5,815	-	-	-
Earnings before income taxes and minority interest	**248,472**	230,591	180,450	146,649	107,319	73,619	62,490	35,099	31,689	9,768
Income taxes	**(79,246)**	(79,182)	(64,712)	(52,721)	(38,772)	(26,142)	(18,982)	(12,666)	(10,527)	(1,377)
Earnings before minority interest	**169,226**	151,409	115,738	93,928	68,547	47,477	43,508	22,433	21,162	8,391
Minority interest	**(109)**	(1,440)	355	(2,265)	(1,394)	(864)	(2,168)	(734)	(722)	(195)
Net earnings[3]	**169,117**	149,969	116,093	91,663	67,153	46,613	41,340	21,699	20,440	8,196
Basic EPS[3]	**$1.95**	$1.75	$1.38	$1.13	$0.87	$0.66	-	-	-	-

(1) Quarterly information is unaudited.
(2) Prior to $2,900 (or $0.03 per share) write down of non-core land in fiscal 1998.
(3) 1994-90 pre IPO net earnings and operating margin are unadjusted on a pro-forma basis. Royal commenced trading on the Toronto Stock Exchange in November 1994.

OUTSTANDING SHARE INFORMATION

(as at September 30, 2000 and 1999)

	2000	1999
Multiple Voting Shares	17,635,444	17,635,444
Subordinate Voting Shares	73,137,868	68,505,995
Total shares outstanding	90,773,312	86,141,439

Total options outstanding as at September 30, 2000 are 9,794,654 (1999 - 9,515,954).

Dividend Policy: Royal's policy is to retain its earnings to finance growth and development of its business and Royal does not expect to pay dividends in the foreseeable future. The Board of Directors will review this policy from time to time in the context of Royal's earnings, financial position and other relevant factors.

TRADING DATA (STOCK SYMBOL: RYG)

	High (TSE)	Low (TSE)	Close (TSE)	Volume (000's)
Fiscal 2001				
First Quarter to				
December 13, 2000	31.40	18.25	19.55	10,570 *
Fiscal 2000				
First Quarter	35.20	24.75	30.75	10,596 *
Second Quarter	32.90	26.00	31.50	9,380 *
Third Quarter	36.50	28.00	35.20	8,309 *
Fourth Quarter	36.15	28.50	30.00	10,437 *
Total				38,722
Fiscal 1999				
First Quarter	36.00	23.00	34.05	8,169**
Second Quarter	39.45	33.50	37.20	6,356**
Third Quarter	44.40	36.75	43.25	9,497**
Fourth Quarter	44.00	31.10	31.55	7,590**
Total				31,612

* TSE & NYSE
** TSE, ME & NYSE

ROYAL GROUP'S SHARE PERFORMANCE
Cumulative Total Return on Investment of $C100

(November 1994 through September 2000)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Vic De Zen
Royal Group Technologies Limited
Chairman, President and
Chief Executive Officer

Gary Brown
Royal Group Technologies Limited
Executive Vice President
and Chief Financial Officer

Douglas Dunsmuir
Royal Group Technologies Limited
Executive Vice President
and General Counsel

Gwain Cornish
Royal Group Technologies Limited
Senior Vice President

Mario Cadorette
Royal Window Coverings (Canada) Inc.
President

Gregory Sorbara*
The Sorbara Group, Partner

Ronald Slaght*
Lenczner Slaght Royce Smith Griffen Barristers,
Partner

Ralph Brehn*
Retired former President
of Hunter Douglas Canada Ltd.

Irvine Hollis
Former President of Duracell Inc.
Presently Management Consultant,
I Hollis Management
Consultants Inc.
Management Consultant

* Member of Audit Committee

EXECUTIVE OFFICERS

Vic De Zen
Chairman, President and
Chief Executive Officer

Gary Brown
Executive Vice President and
Chief Financial Officer

Douglas Dunsmuir
Executive Vice President
and General Counsel

Gwain Cornish
Senior Vice President

TRANSFER AGENT AND REGISTRAR

Information regarding your shareholdings may be obtained by writing or calling the transfer agents:

Montreal Trust Company of Canada
c/o Computershare Investor Services Inc.
100 University Avenue, 11th Floor
Toronto, Ontario M5J 2Y1
Tel: 1-800-663-9097 or (416) 981-9633
Facsimile: (416) 981-9507
E-mail: faq@montrealtrust.com

Co-Transfer Agent (U.S.A.)
Computershare Trust Company, Inc.
12039 W. Alameda Parkway, Site 2-2
Lakewood, CO 80228
Tel: (303) 956-5400
Fax: (303) 986-2444

SHAREHOLDER INQUIRIES

Responses to shareholder inquiries as well as information published by the Company for its shareholders and others, including annual reports, quarterly reports and annual information forms may be obtained from:

Investor Relations
Royal Group Technologies Limited
1 Royal Gate Blvd.,
Woodbridge, Ontario L4L 8Z7
Telephone: (905) 264-0701
Facsimile: (905) 264-0702
E-mail: info@royplas.com
Web site: www.royplas.com

ANNUAL MEETING

The annual meeting of shareholders of Royal Group Technologies Limited will be held February 20, 2001. The notice of and proxy materials were mailed to shareholders with this report.

STOCK EXCHANGE LISTINGS

Subordinate Voting Shares are
listed on The Toronto Stock Exchange and the
New York Stock Exchange.
Symbol: RYG

INDEX LISTINGS

TSE100 Index
TSE300 Index

FINANCIAL INFORMATION

Security analysts and representatives of financial institutions are invited to contact:

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Auditors

KPMG LLP, Chartered Accountants
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Toronto, Ontario M5L 1B2

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Ce rapport est également publié
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